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No. _____

IN THE

Supreme Court of the United States

ADVANCED DISPLAY SYSTEMS, INC., and BAO GANG WU,

Petitioners,

—v.—

KENT DISPLAY SYSTEMS, INC., KENT RESEARCH CORPORATION, and KENT STATE UNIVERSITY,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

After a jury resolved every issue favorably to Petitioner in this patent infringement case, the District Court denied Respondents' post-trial motions and rendered judgment on the jury verdict. The U.S. Court of Appeals for the Federal Circuit reversed the District Court's post-trial rulings, granted a new trial both for "newly discovered evidence" and as a sanction under the doctrine of "inherent powers," and vacated the jury's findings of patent non-infringement and patent invalidity. The questions presented are:

1. Whether an appellate court may reverse a District Court's denial of a motion for new trial for "newly discovered evidence" based upon the appellate court's own determination of the movant's entitlement to relief, when the District Court has fully considered the motion, made a decision not wholly unsupported by the evidence, and committed no error of law.

2. Whether an appellate court may grant a new trial for "newly discovered" evidence when there has been no determination, based upon the entire factual record, that the alleged "newly discovered" evidence would have probably changed the outcome of the case if admitted into evidence at trial.

3. Whether the Seventh Amendment's Reexamination Clause permits an appellate court to consider facts that were tried to a jury, and to assess the weight and persuasiveness of such facts, in reversing a District Court's denial of a new trial for "newly discovered" evidence.

4.Whether an appellate court may, consistently with Due Process, impose sanctions under the "inherent powers" doctrine, based upon that court's *de novo* finding of bad faith conduct of a litigant's counsel in the District Court.

PARTIES TO THE PROCEEDING BELOW

The parties to the appeal in the United States Court of Appeals for the Federal Circuit were:

1. Kent Display Systems, Inc. (Appellant)
2. Kent Research Corporation (Appellant)
3. Kent State University (Appellant)
4. Dr. Bao Gang Wu (Appellee)
5. Advanced Display Systems, Inc. (Appellee)

Also permitted to intervene in that Court, for the purpose of presenting a Petition for Rehearing, was Kevin C. Nash, counsel for Advanced Display Systems, Inc.

CORPORATE DISCLOSURE STATEMENT

This document is filed on behalf of a nongovernmental corporation, Advanced Display Systems, Inc., located in Amarillo, Texas. Advanced Display Systems, Inc. has no parent corporations. Delta Electronics, Inc., a publicly held company located in Taiwan, owns 10% or more of the corporation's stock. No other public company owns 10% or more of the corporation's stock.

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CITATION TO THE OPINIONS AND ORDERS BELOW

The Opinion of the U.S. Court of Appeals for the Federal Circuit is reported as Advanced Display Systems, Inc. v. Kent State University, 212 F.3d 1272 (Fed. Cir. 2000). The text of the opinion is set forth in the Appendix. (A1-A31). The opinions, findings, and conclusions of the District Court on the post-trial motions were orally given and transcribed, and are also set out in the Appendix (A36), as are its written orders denying Respondents' post-trial motions (A32,A34), its judgment (A44), and the jury's verdict (A47).

STATEMENT OF THE BASIS OF JURISDICTION

The case was before the U.S. District Court for the Northern District of Texas, Dallas Division ("the District Court") under 28 U.S.C.§§ 1331 and 1338. The case was properly before the United States Court of Appeals for the Federal Circuit (the "Federal Circuit") on the basis of 28 U.S.C. § 1295. The Opinion of the Federal Circuit was released on May 18, 2000, and the Petition for Rehearing en Banc of Petitioner Advanced Display Systems, Inc. was timely filed and thereafter denied without opinion on August 24, 2000. (A40). Jurisdiction is now invoked under 28 U.S.C § 1254 (1).

CONSTITUTIONAL PROVISIONS INVOLVED

U.S.CONST., Amendment VII, which provides as follows:

> "In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law."

U.S.CONST., Amendment V, which provides as follows:

> "No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a Grand Jury, except in cases arising in the land or naval

forces, or in the Militia, when in actual service in time of War or public danger; nor shall any person be subject for the same offence to be twice put in jeopardy of life or limb; nor shall be compelled in any criminal case to be a witness against himself, nor be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation."

STATEMENT OF THE CASE

This is a patent infringement case. The Respondents (collectively, "Kent") are Kent State University ("KSU"), Kent Research Corporation ("KRC"), and Kent Display Systems, Inc. ("KDS"). Kent alleged that a cholesteric liquid crystal display that ADS demonstrated at a May, 1996 trade show was made, used, sold, or offered for sale in violation of 35 U.S.C. § 271. Allegedly, the device infringed U.S. Patent Number 5,453,863 (the "West Patent"), which was issued on September 26, 1995. ADS denied that the device infringed the West Patent and asserted that the patent was invalid for anticipation (35 U.S.C § 102) and obviousness (35 U.S.C. § 103).[1]

A. The Proceedings Below

A two-week long jury trial was held on the patent claims. At no time during the trial did Kent move for a judgment as a matter of law ("JMOL") under Rule 50 of the Federal Rules of Civil Procedure. On December 1, 1997, the jury returned a verdict favorable to ADS on every issue. The

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1 ADS also asserted claims based upon alleged false statements by Kent that ADS had "stolen" its technology. At Kent's request, all patent-related claims were ordered to be tried in one jury trial, and a second trial before another jury was to resolve the non-patent claims, after discovery on the latter claims had taken place These claims were later dismissed without prejudice by ADS after the verdict on the patent-related claims. This case involves only the patent-related claims.

jury found, *inter alia*, that ADS did not infringe any claims of the West Patent, that all claims of the West Patent were anticipated by U.S. Patent No.4,097,127 (the "Haas '127 Patent), and that the subject matter of the West Patent's claims, as a whole, would have been obvious to one of ordinary skill in the art (A47-A51). Having failed to move for JMOL during the trial, Kent had no proper means by which to argue that any of these findings were erroneous.

Yet, after the trial, in an attempt to attack the verdict notwithstanding the failure to move for JMOL, Kent filed several motions seeking a new trial. Kent's motions argued not only that the verdict was "against the great weight" of the evidence, but also that it should be vacated either on the basis of "newly discovered" evidence pursuant to Rule 59 of the Federal Rule of Civil Procedure, or as a sanction against ADS and/or its attorneys under the Court's "inherent powers." *See* Chambers v. NASCO, Inc., 501 U.S. 32, 43-46 (1991).[2]

Kent's motions centered upon the deposition given by an ex-employee of ADS (Hongxi "Victor" Zhou) prior to the trial of the patent issues. The deposition was given in an unrelated suit in which ADS was a party but Kent was not. In that deposition, which was never transcribed and was not produced to Kent in pre-trial discovery, Zhou was critical of his former employer. The deposition contained testimony by Zhou that (1) ADS personnel made a photograph of the circuitry of a copyrighted KDS device to discover the part number (Supertex HV6008PG) for the semiconductor "driver" chip it employed, then used that information to design an ADS device; (2) that an agent of Kent provided to ADS a "formula" and a "powder"

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2 Two of the three Respondents, KSU and KRC, subsequently withdrew and/or abandoned the motion for sanctions, in response to a threatened Rule 11 sanctions motion, thus the District Court ultimately ruled only upon, and denied, the motion of KDS. (A34).

relating to certain cholesteric materials or additives;[3] and that (3) ADS had made many unsuccessful attempts (even after obtaining such information) to design a working cholesteric LCD. According to Zhou, ADS' acquisition of information from Kent occurred in 1993 - some *two years before the West Patent issued.*

Although Kent claimed in its post-trial motions that this evidence was "newly discovered," Zhou had in fact been called by Kent as a witness during the jury trial of the patent issues, and Kent's trial counsel repeatedly acknowledged her awareness of the deposition during her questioning of Zhou at trial.[4] Moreover, the testimony elicited at the deposition was similar, if not identical, to the testimony that Zhou gave to the jury at the trial on the patent claims.[5] In fact, at the patent trial, Zhou brought with him (and Kent introduced into evidence) a copy of the very photograph that was allegedly taken by ADS personnel (a photograph of a circuit board bearing the inscription "KDS Copyright 1993"), and Zhou described to the jury how the photograph was taken and the uses to which it put by ADS (A72-A82). Based upon its verdict, the jury was apparently not persuaded that Zhou's testimony showed either non-obviousness or infringement of the West Patent.

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3 There was *undisputed evidence* presented by ADS to the District Court that the materials to which Zhou referred related only to a "polymer stabilized" technology that had no possible relation to the West Patent and were, in any event, publicly described in patents and publications. Despite the fact that this evidence was uncontested, the Federal Circuit failed to mention it in its Opinion.

4 The testimony that Kent elicited from Zhou at trial is set forth in full in the Appendix (A69-A89), as are portions of the cross-examination at trial (A90-A103).

5 Indeed, in denying Kent's motion for new trial, the District Court so found. (A37-A38).

The District Court, after allowing Kent an extraordinary amount of time to present post-trial motions and briefs, held a hearing on Kent's post-trial motions in August, 1998 (more than *nine months* after the verdict was received) (A36-A39). At the conclusion of the hearing, the District Court found that: (1) there was *no relevant evidence that Kent was prevented from using at trial* (A37,A39); (2) the absence of the Zhou deposition transcript had no material adverse effect on Kent's trial preparation or presentation (A38); and (3) the testimony was of questionable relevance to the claims of the West Patent [6] and was, in any event, cumulative of the trial testimony (A37). The District Court also refused to find that ADS or its counsel had acted in "bad faith" (A38,A39), in apparent response to both ADS' presentation of evidence negating bad faith [7] and Kent's failure to present evidence which would support a finding in its favor. Thus, in addition to denying the motions for new trial (A32), the District Court declined to grant a new trial to KDS as a "sanction" under its "inherent powers" (A34).[8] The District

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6 The District Court's claims construction of the West Patent (A50-A62) fully supported the Court's observation that the evidence was of questionable relevance to those claims. In fact, at trial one of the named inventors of the West Patent, Dr. John West, admitted that the patent was *not about a circuit board* and that he would have been incapable of inventing such a device.

7 For example, ADS presented uncontroverted evidence to the District Court that showed that the counsel in the case had agreed that issues relating to alleged "theft of technology" had no relevance to the patent-related claims and that discovery into such issues should be postponed until after the verdict on the patent claims. The Federal Circuit ignored such evidence in finding that ADS counsel acted in "bad faith."

8 The District Court stated that while it suspected an attempt to conceal the deposition from Kent, its "unsubstantiated suspicions" would not be a sufficient basis for sanctions. (A38). Moreover, the court noted that the only relief Kent wanted, a new trial, was inappropriate (A39.).

Court also rejected Kent's contentions that the verdict was against the "great weight" of the evidence (A32-A33). It rendered judgment on the jury verdict (A44-A45), and Kent then filed Notices of Appeal to the Federal Circuit (A65-A68).

In its appeal to the Federal Circuit, Kent confronted an impregnable wall of precedent holding that a litigant cannot challenge on appeal any fact findings by a jury, if it did not move for JMOL at trial. Kent also faced decisions from this Court holding that no appellate relief can be granted for "newly discovered" evidence where the district court denied the motion and review is sought on the grounds that it committed factual errors. United States v. Johnson, 327 U.S. 106, 111 (1946) and cases cited therein. Finally, Kent faced the inescapable fact that the District Court had declined to exercise its "inherent powers" to grant a new trial and had explicitly declined to find any "bad faith" on the part of ADS or its counsel.

Yet, on May 18, 2000, the Federal Circuit issued an Opinion overturning not only the jury's verdict on anticipation, obviousness, and infringement, but also the District Court's rulings on the motion for new trial and the motion for sanctions. With regard to obviousness, the Federal Circuit found Zhou's deposition testimony (which covered much the same ground as his trial testimony) to be "persuasive," "compelling," and "highly probative" evidence of non-obviousness (A23-A25). While acknowledging that Zhou's testimony was not itself even *relevant evidence* of infringement (A28),the Federal Circuit opined that it had a bearing on infringement under the doctrine of equivalents and that Kent might have done things differently if it had possessed the deposition transcript (A28-A29).[9] Despite the District Court's finding that Kent was not prevented

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9 This finding, rendered *de novo* on appeal with no supporting evidence in the record, was contrary to the District Court's conclusion that Kent suffered no material prejudice by not having the deposition earlier (A38).

from eliciting at trial any relevant testimony in the deposition (A38-A39), the Federal Circuit made its own findings that Kent did not know of such facts, used "due diligence" to discover and present them at trial, and that the "constellation of facts" in the deposition were "potentially outcome determinative" (A25-A27).

Apparently to furnish an alternative basis to support its decision to grant a new trial for "newly discovered" evidence, the Federal Circuit also granted a new trial as a "sanction" under the doctrine of "inherent powers." *See* NASCO, *supra*. In doing so, the Federal Circuit found *de novo* (in the face of the District Court's specific refusal to find) that ADS counsel had acted in "bad faith" in not producing the Zhou deposition transcript in discovery (A31).

B. Factual Background

The issues presented by this Petition do not turn on the facts relating to the underlying technology. However, an understanding of the nature of the technology, its history, and its relation to the West Patent may assist the Court in determining the issues.

ADS and Kent are both involved in the field of cholesteric LCDs. A cholesteric LCD is typically made by combining a cholesteric liquid crystal "cell" with an electrical apparatus that is used to change molecules in the cell to different states or "textures" by applying an electric field. The cell is made by sandwiching cholesteric materials between two substrates or surfaces, at least one of which is transparent. A "display" is then made by coupling the cell to the electrical "driving" apparatus - usually consisting of a power supply and other electrical components and circuitry which can apply a "pulse" or a waveform across the cell so as to cause molecules in the cell to adopt a certain "texture." In practical terms, this means that a cholesteric liquid crystal cell made be used to display an image (numbers, letters, pictures) in response to the electrical field applied by the "driver."

LCDs have multiple uses, from small displays for cellular phones and calculators to large billboards, and cholesteric LCDs are but one of many types of LCDs. Other types include Twisted Nematic ("TN") LCDs, Super Twisted Nematic ("STN") LCDs, and Active Matrix displays ("AMLCDs"). However, cholesteric LCDs have certain characteristics that set them apart from other LCDs. For example, the materials in a cholesteric cell, once they have been aligned in a certain state or texture (e.g. displayed an image), will remain in that state or "texture" indefinitely without the need for continued application of an electric field. Due to this "memory" phenomena, cholesteric materials are sometimes said to be "bistable" or "multistable" - that is, the materials will remain stable in more than one texture without an electrical field. Bistability is a *bulk property* of cholesteric materials.

Cholesteric cells and LCDs have been the subject of scientific investigation and research for many years. In the 1960's and 1970's, the Xerox Corporation was particularly active in the development of the technology.[10] Following on the heels of the work of the Xerox Corporation and other pioneers in the field, KSU's Liquid Crystal Institute began promulgating, in a series of patents and publications, the idea that the addition of polymers to cholesteric materials would impart desirable qualities to a cholesteric LCD. To promote its "polymer stabilized" cholesteric technology, Kent published a number of

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10 The Xerox team of scientists and researchers included many well-known inventors in the field, one of whom was Werner Haas. One of the numerous patents issued to Mr. Haas was the Haas '127 patent, the patent which was found by the jury in this case to fully disclose and anticipate the claims of the West Patent. Mr. Haas himself was, in fact, ADS' expert witness at the trial, and his opinions to the effect that the West Patent was invalid due to obviousness and anticipation - set out in a lengthy and meticulous three volume report - were admitted into evidence for the jury's consideration without objection by Kent.

articles and papers demonstrating uses of that technology in devices having potential commercial application.[11] KSU, through a wholly owned corporation, KRC, also entered into a series of commercial ventures with private investors to exploit the "polymer stabilized" technology, one of which was KDS.

The West Patent was issued to KSU on September 26, 1995 and thereafter transferred to KRC and then licensed to KDS. It represented a significant departure from other patents obtained by KSU. Whereas several of KSU's prior patents in the field of cholesterics had touted the alleged advantages of adding polymer to the cholesteric materials, the West Patent cited the many benefits of *not* adding polymer, and the claims of the patent were directed solely to "polymer free" cells (A52-A64). However, such "polymer-free" technology was anything but new. Scientists and researchers who were working in the field long before KSU obtained recognition with its "polymer stabilized" technology , including Mr. Haas (see n.10, *supra*) and other members of the Xerox team, had been utilizing "polymer-free" cells. Indeed, before KSU arrived on the scene extolling polymer technology, almost all work in the field was done with cells not containing such materials.

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11 One of these was an article printed in a 1992 edition of a periodical known as "Japan Display" (the "Japan Display Article") - a publication which was admitted into evidence at trial (Exhibit 30) and had some relevance to the claims of the former ADS employee, Mr. Zhou. Zhou claimed that the critical piece of information that ADS previously did not have, and which was obtained by taking the photograph of the copyrighted Kent device, was the part number for the driver chips used by Kent (A79-A81), and that ADS, armed with these part numbers (Supertex HV6008PG) obtained the tools it needed to manufacture a "driver." However, in the Japan Display Article, Kent had freely revealed to the entire display industry that it was utilizing the Supertex HV6008 chips in its cholesteric LCDs, and had shared this information with the industry *more than one year prior to the alleged photographing incident* !.

After the West Patent had issued, Kent representatives attended a trade show for the Society for Information Display ("SID") conference in May, 1996, and there saw ADS demonstrating a cholesteric LCD module utilizing a cell without polymer. Shortly thereafter, the litigation between ADS and Kent began.

At the trial, it was undisputed that: (1) neither the cholesteric chemicals nor the mixtures used for the displays were invented by Kent; (2) the structure and composition of the cell, including the use of cholesteric mixtures in the cell, were well known in the industry long before the invention claimed in the West Patent; (3) the West Patent (like the accused ADS device) did not make use of polymer; and (4) the West Patent did not include or claim any particular type of circuitry or driver. The West Patent merely claimed a certain type of "electric field pulse" to drive so-called "polymer free" cells, regardless of how that pulse was generated.[12] Based upon the opinions of Mr.Haas, ADS' expert, and other witnesses, the jury found by "clear and convincing evidence" that the claimed invention of the West Patent - essentially, the combination of the described "pulse" and a "polymer-free" cell - was not only fully disclosed and anticipated by the Haas '127 Patent, but would have been obvious to one of ordinary skill in the art based upon the Haas '127 patent and other patents and publications extant in the field (A47-A51). The jury also found unpersuasive Kent's claims that ADS infringed the West Patent (*Id.*).

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12 Pursuant to this Court's ruling in Markman v. Westview Instruments, Inc., 517 U.S. 370 (1996), the West Patent's claims were construed by the court. Under the Claims Construction: (1) the West Patent was limited to polymer-free LCDs, i.e., LCDs that did not include polymers in the cholesteric mixtures; and (2) no special driver or driver circuitry was required to drive or stimulate the LCDs. (A52-A64 [claims chart prepared from Markman rulings]). This construction was never disputed by Kent until the jury rendered its verdict..

REASONS FOR GRANTING THE WRIT

The Court should grant the writ for one reason: to prevent trespasses by the intermediate appellate courts upon territories that have long been preserved for District Courts and juries. By issuing its Opinion, the Federal Circuit has asserted a dominion over these lands in a manner so hostile, open, and notorious that, if not now curtailed by this Court, might later support a claim by that court and its sister circuits that they have acquired the right to remain there through adverse possession. It is the province of District Courts, not appellate courts, to resolve Motions for New Trial. It is the province of juries, not appellate courts, to determine the weight and persuasiveness of evidence presented to them. It is the province of District Courts, not appellate courts, to decide how to best exercise the "inherent power" they possess to *manage their own affairs*. And it is the duty of this Court to disapprove of the Federal Circuit's intrusions into these core functions of District Courts and juries, in order to keep intact the well-defined boundaries between juries, District Courts, and appellate courts that the Seventh Amendment and long-standing rules of appellate review were promulgated to preserve.

A. It is the Province of District Courts, Not Appellate Courts, to Resolve Motions for New Trial.

Motions for new trial for "newly discovered evidence" have long been commended to the sound discretion of District Courts. Such motions, by their very nature, must be decided on the basis of all the evidence presented at trial. The trial judge will ordinarily have great familiarity with that evidence by virtue of the fact that the judge has presided over the trial, heard the evidence as it was adduced, and observed the demeanor of the witnesses and parties. Thus that judge, in sharp contrast to a justice of an appellate court, has a unique ability to pass upon the merits of such a motion.

Because overturning a jury verdict is such an extreme measure, the elements of proof pertaining to a motion for new

trial for "newly discovered evidence" are necessarily demanding. First, the trial judge must be satisfied that there is, in fact, evidence of which the movant was unaware during the trial.[13] A district court must always be wary of a claim that there is "new" evidence that the jury should have heard, and at least entertain the possibility that the motion is being advanced as a surrogate for a right to contest the jury verdict that has been previously waived - a concern that is particularly weighty in cases, such as this one, when the movant *failed to move for JMOL at trial.* Second, the court must be satisfied that the alleged "new" evidence would have *probably changed the outcome of the case* if it had been received into evidence at trial [14] - an inquiry which requires the use of all the judge's familiarity with the case and which must determine whether the evidence would truly have made a difference or if, to the contrary, it is merely "cumulative or impeaching" in nature.[15] Finally, the district court must be

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13 Acosta-Mestre v. Hilton Intern of Puerto Rico, 156 F.3d 41, 56 (1st Cir.1998); Duffy v. Clippinger, 857 F.2d 877, 879 (1st Cir. 1988); Wolfgang v. Mid-America Motorsports, Inc., 111 F.3d 1515, 1529 (10th Cir. 1997); Joseph v. Terminix Int'l Co., 17 F.3d 1282, 1285 (10th Cir. 1994)(evidence must be discovered "since the trial"), MOORE'S FEDERAL PRACTICE, ¶ 59.08 [4] (1987 & Supp.).

14 Strickland v. Washington, 466 U.S. 668, 693 - 4 (1984) (discussing traditional test for newly discovered evidence); Diaz v. Methodist Hospital, 46 F.3d 492, 495 (5th Cir. 1992); Farm Credit of Texas v. Guidry, 110 F.3d 1147, 1154 (5th Cir. 1997). To meet this requirement, the movant must convince the District Court that the evidence *more likely than not* would have caused a different result. Strickland, supra. Under this standard, it is not sufficient to show that the omission of the evidence merely had some "conceivable" impact on the outcome or "impair[ed] the presentation of the defense." *Id.* (comparing traditional "outcome determinative" test with other, more lenient standards).

15 The requirement that the alleged "new" evidence not be "cumulative" would seem to be merely a corollary of the requirement that the evidence would be outcome determinative. If the evidence is cumulative - that is, the

satisfied that the movant's ignorance of the evidence was excusable and that it exercised "due diligence" to obtain and present the evidence at trial.[16]

The demanding test for "newly discovered evidence" motions presupposes that it will be administered by a judge who is knowledgeable of all the evidence presented to the fact-finder and the facts and factors that likely contributed to the verdict. Without such knowledge, a court simply cannot make a proper, legitimate determination of whether or not the alleged "new" evidence would have "probably changed the outcome" if admitted at trial. To decide whether the evidence would have been "outcome determinative," while maintaining proper deference to the jury's unquestionable right to determine the persuasiveness of evidence, the District Court must begin with the premise that the jury's verdict is conclusive as to the weight and credibility of the evidence *actually presented to it.* Then, it must theoretically add the alleged "newly discovered" evidence into the mix of the evidence presented at trial on both sides of the issue in question, and make a delicate guess - albeit an educated one based upon actual exposure to the testimony and the case as it was presented at trial - as to whether the jury would likely have weighed the facts differently and reached a different result had such "new" evidence been before it.

For these reasons, it has long been recognized that the trial judge - having been intimately involved in the case by presiding over the trial - is in the best possible position to decide the effect that the "newly discovered" evidence would have had

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the same or similar to evidence already heard by the jury at trial - it can hardly be said that the admission of such evidence would probably change the outcome.

16 Diaz, *supra;* Owens v. International Paper Co., 528 F.2d 606, 611 (5th Cir. 1976). *See also* Wright & Miller, FEDERAL PRACTICE & PROCEDURE, § 2802 (West 1995).

upon the jury if presented at trial. *See* Johnson, 327 U.S. at 111-112.[17] No matter how much time it is willing and able to devote to a close scrutiny of a cold trial record, an appellate court can never begin to approach a capability equal to that of the trial judge to decide whether certain evidence would or would not have made a difference at a trial.

Due to the clearly superior ability that a trial judge has to determine the probable impact of alleged "new" evidence, under the common law a motion for new trial alleging the existence of such evidence was regarded as one addressed to the sole discretion of the trial judge, the exercise of which could not be reviewed on appeal. Kerr v. Clampitt, 95 U.S. 188, 189 (1877). This rule, as previously recognized by this Court, was carried over into and made part of American jurisprudence. *Id.*; Newcomb v. Wood, 97 U.S. 581, 583 - 4 (1878); Fairmount Glass Works v. Cub Fork Coal Co., 287 U.S. 474, 481-2 (1933). Thus, appellate scrutiny of such a decision by District Courts is not only inherently limited, but constrained by the Seventh Amendment's Reexamination Clause.

In its recent decision in Gasperini v. Center for Humanities, Inc., 518 U.S. 415 (1996), this Court authorized federal appellate court review of the denial of a motion for new trial for excessiveness of damages, at least when such review was undertaken in order to comply with a state substantive law (applicable under Erie) and limited to a deferential "abuse of discretion" standard. It is fairly debatable whether Gasperini can be read to apply to other types of motions for new trial, or to

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17 District Courts are also, by their nature, much better suited that appellate courts to resolve factual questions such as whether the evidence was in fact discovered only after the trial by the moving party, and whether that party exercised due diligence in obtaining and presenting the evidence. Fact finding has always been regarded as the business of trial courts, not appellate courts. *See* DeMarco v. United States, 415 U.S. 449, 450 (1974).

authorize a type of appellate "abuse of discretion" review not previously contemplated in the law.[18] But neither Gasperini nor any other decision from this Court permits application of a *de novo* standard of review. Nor does the power to conduct an "abuse of discretion"review embrace the authority to substitute appellate court findings for those of the District Court. Johnson, 327 U.S. at 111.Rather, in the matter of motions for new trial for "newly discovered" evidence, the District Court's discretion is so broad that an "abuse" of it can be found only in a very limited number of defined circumstances, none of which was even arguably present here.

In Johnson, this Court articulated rules which, if they had been heeded by the Federal Circuit, would have precluded it from entertaining Kent's appellate complaints. There, this Court stated unequivocally that an appellate court should not undertake the task of reviewing an order denying such a "newly discovered evidence" motion "when such review is sought on the alleged ground that the trial court made erroneous findings of fact." 327 U.S. at 111. In fact, the Court went further, suggesting that an appeal which merely attacked such factual determinations was "so devoid of merit that it should [be] dismissed." *Id.* Addressing the argument in that case that the District Court did "abuse its discretion," and the appellate court's purported application of the "abuse of discretion" standard,[19] the Johnson Court observed that the trial judge made no findings of fact which were "wholly unsupported" by the

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18 *See* Gasperini, 518 U.S. at 457-8 (Scalia, J., joined by Rhenquist, C.J. and Thomas, J., dissenting) (appellate review of denials of motions for new trial has been "'accomplished by a blizzard of dicta' that, through repetition alone, has 'given legitimacy to a doctrine of doubtful constitutionality.'")

19 In Johnson, as in this case, the circuit court referenced an "abuse of discretion" standard but made no attempt to actually apply it. Here, as in Johnson, the circuit court's reference to such a standard does not serve to disguise the analysis it actually employed.

evidence, and appeared to have given the motion his "careful and honest consideration". 327 U.S. at 112. On the basis of those conclusions by this Court, the "abuse of discretion" claim was rejected. Thus, under Johnson, when the record reveals that a district court has made findings that have some support in the evidence, given the motion adequate consideration, and committed no error of law,[20] any claim that it has "abused its discretion" is specious.

In a proper application of the "abuse of discretion" standard articulated in Johnson, the focal point of an appellate court must be the reasoning process by which the district court arrived at it findings, because the *findings themselves are not reviewable*. In this case, however, the Federal Circuit never seriously undertook the task of addressing what the District Court actually decided and analyzing whether its findings were "wholly unsupported."[21] Moreover, the Federal Circuit's analysis assumed at its very outset - without any explanation or discussion of the matter - that the Zhou deposition transcript did in fact constitute "newly discovered" evidence.[22] Throughout

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20 The Johnson Court, citing the circuit court's previous opinion in the matter when the case was earlier before that court, noted the language that a decision is an "abuse of discretion" when reached "'arbitrarily, capriciously, or in the misapplication of any rule of law." 327 U.S. at 109.

21 The Federal Circuit's Opinion launched headlong into a discussion of the merits of Kent's motion and reached conclusions favorable to Kent on obviousness (A22-A27), without first addressing the District Court's rationale and determining whether the District Court's findings were "wholly unsupported." Indeed, the primary basis for the District Court's rejection of the motion - that the Zhou deposition was cumulative - was not analyzed by the Federal Circuit's Opinion until *after* it had already reached its conclusions that Kent was entitled to relief (A27), and the rest of the District Court's observations were *never discussed at all.*

22 The court announced that it would determine "whether *the newly discovered evidence* is potentially outcome determinative" by reference to

the entire course of the discussion in which it analyzed the motion and found Kent entitled to relief (A22-A29), the Federal Circuit never reached *any* conclusions that the District Court abused its discretion *in any respect*. Thus, the Federal Circuit did not apply the "abuse of discretion" standard posited in Johnson, but rather, utilized a standard condemned in Johnson.

That is bad enough, and is certainly grounds for reversal. But what is even more unacceptable is the methodology by which Federal Circuit *arrived at* its *de novo* findings. The technique employed by the Federal Circuit in analyzing Kent's motion, through its inherent limitations, resulted in findings which were not even true "substitutes" for the District Court's findings, but rather, intrinsically flawed surrogates of them

That technique is evidenced in the Federal Circuit's analysis of Kent's motion as it pertained to both obviousness and non-infringement. In resolving *de novo* the issue of whether the so-called "newly discovered" evidence was controlling on the question of obviousness, the Federal Circuit's analysis began with the simply astounding proposition that the court's job was one of "measur[ing] whether the newly discovered evidence is potentially [sic] outcome determinative by reference to [its own] obviousness jurisprudence" (A23). It then surveyed its own decisional law, summarized the contents of the Zhou deposition, and then, merely *on the basis of its own prior opinions and the so-called "newly discovered" evidence considered in isolation from all other evidence*, concluded that the Zhou deposition was "*potentially* outcome determinative" (A23-A25, emphasis added). The jury verdict of obviousness was thus jettisoned, along with the District Court's decision denying Kent's motion, not because the Zhou testimony somehow outweighed the compelling testimony of all the other witnesses at trial (such as the three-volume report of Mr. Haas and his live testimony),

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[its] obviousness jurisprudence.") (A21,*emphasis added*).

but because "[Federal Circuit] caselaw supports Kent's view that evidence of failed attempts by others *could be* determinative of the issue of obviousness" (A24, emphasis added), and because ADS' alleged "wholesale copying of the claimed invention" was allegedly *"persuasive"* and "*compelling*" under prior Federal Circuit decisions (A23,A24, emphasis added).[23] Completely absent from the Federal Circuit's analysis and conclusion was an answer to the penultimate question that the District Court alone, with all of its familiarity with the trial proceedings, had the ability to answer: given the evidence of obviousness adduced by ADS and the jury's apparent rejection of Zhou's trial testimony, would more testimony from the same apparently disbelieved witness have likely made a difference *to the jury that resolved the case ?*

The Federal Circuit's analysis of the motion as it related to infringement was conducted in the identical fashion. Again, the court began its discussion by referring to its own jurisprudence as to the elements of infringement, looked only to the Zhou deposition and no other evidence pertaining to the issue, and concluded that the Zhou deposition, although not itself *even relevant to the issue*, was somehow at the same time

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23 The Federal Circuit attempted to buttress its decision that the Zhou deposition had some importance by engaging in completely improper speculation as to what went on behind the closed doors of the jury room, and by asserting (with no possible factual foundation) that the jury was, at some point, in "equipoise" during its deliberations. (A24). Such reasoning only serves to show how completely that court insinuated itself into the core functions of the lower court and jury. The fact that he jury sent a message to the District Court that it could initially not resolve anticipation and obviousness lends no support to the notion that the Zhou deposition would have made a difference, and the fact that it initially could not reach unanimity does not mean that the jury was, then or ever, in "equipoise" on the issues. What it does signify, however, is that the jury had no apparent difficulty reaching unanimity on the issue of infringement in ADS' favor.

"compelling evidence relating to infringement" which would "suppor[t] a claim" of infringement under the doctrine of equivalents"(A28). In effect, the court reduced the complex, fact-intensive question of whether there was any "outcome determinative" new evidence into the abstract (but, for an appellate court, much more manageable) query of whether the so-called "new" evidence, considered in a vacuum, was *legally relevant*.

Thus, the Federal Circuit's Opinion does not merely evidence an improper *de novo* review of the District Court's findings, but announces a completely new way to go about supplanting those findings. Unlike the time-honored, laborious manner through which district courts have traditionally decided "outcome determinativeness"- by considering all the evidence offered at trial in the light most favorable to the verdict - the Federal Circuit's method is peculiarly adapted for easy use by appellate courts.[24] To decide the issue, the court need not fret over a voluminous, unwieldy trial record and concern itself with the deference owed to a jury verdict. It has only to decipher the legal relevance of the alleged "new" evidence. If the appellate court's case authority indicates that a witness' "new" testimony may be "compelling" or "persuasive," then that testimony has a sufficiently "outcome determinative" ring to it to warrant

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24 *Cf.* Stonewall Ins. Co. v. Asbestos Claims Mgmt. Corp., 73 F.3d 1178, 1199 (2nd Cir. 1995) *modified* 85 F.3d 49 (2nd Cir. 1996). In Stonewall, the Second Circuit alluded to the extraordinary demands placed upon an appellate court by appellate challenges to the denials of motions for new trial. To. properly consider such appellate complaints, the appellate court would be *required* to conduct an exhaustive consideration of all the evidence adduced on the issues and the elusive factors of weight and credibility, and for that very reason, the Second Circuit has routinely declined to even review such challenges. *Id.*.;Robinson v. Cattaraugus County, 147 F.3d 153, 160 (2d Cir. 1998); Haywood v. Koehler, 78 F.3d 101, 104 (2d Cir. 1996).

discarding a jury verdict - regardless of how strong the countervailing might be and notwithstanding the fact that the jurors heard and rejected the witness' "old" testimony.

Because the Federal Circuit was, by its own tacit admission, incapable of rendering what is demanded of a district court in the consideration of such a motion (a decision based upon all the evidence adduced at trial), it was ultimately not up to the task of answering the critical question of whether the Zhou testimony, if admitted at trial, would *probably have influenced the jury to decide the case differently*. Since its focus was upon its own decisions and the Zhou deposition considered in a vacuum - and since it failed to consider (or even mention, for that matter) all the evidence of obviousness and non-infringement standing against Zhou's deposition - the Federal Circuit had no means to decide, and in fact did not decide, that the Zhou deposition testimony would *probably* affect the outcome of *this case*. All the Federal Circuit could say, at the end of the day, was that the Zhou deposition was "potentially outcome determinative": a holding that has never been regarded as an adequate reason to disturb a jury verdict.[25]

B. It is the Province of Juries to Determine the Weight and Persuasiveness of Evidence They Have Heard

The Federal Circuit's resolution of Kent's motion suffers yet another serious defect: a federal appellate court cannot reexamine any facts tried to a jury, except in such manner as was allowed by the common law of England in effect at the time the

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25 *See* Strickland, *supra;* Methodist Hospital, 46 F.3d at 495; Guidry, 110 F.3d at 1154.(requiring determination that evidence was probably outcome determinative of the case). In this case, the District Court certainly made no finding that the Zhou deposition would probably have been "outcome determinative" and neither, in the final analysis, did the Federal Circuit. Thus, the jury verdict was vacated without a finding of an essential element of any motion for new trial for "newly discovered evidence."

Constitution was enacted and ratified. U.S. CONST., AMDMNT 7; Gasperini, 518 U.S. at 432-4.

Not surprisingly, Zhou's deposition covered many of the same matters as Zhou's testimony at trial (A69-A103).[26] Granted, the Federal Circuit attempted to deflect the force of this fact by parsing the Zhou deposition to come up with a handful of matters that Kent's counsel did not (for reasons unknown) cover in her trial examination of Zhou (A27). But the Federal Circuit did not say, and could not have said on this record, that *the matters in the deposition that Kent's counsel failed to cover in her examination of Zhou at trial* were (to use the court's terminology) "potentially outcome determinative." Rather, the Federal Circuit improperly looked to the Zhou deposition *as a whole* (indiscriminately including in its analysis those parts of the deposition identical to Zhou's trial testimony) and found that the "*constellation of facts*" in Zhou's deposition was "potentially" determinative (A24, emphasis added).[27] Thus, with respect to obviousness, the court held that "Zhou's deposition furnishes persuasive evidence..." (A23); that "Zhou's deposition testimony constitutes highly probative evidence...;" and that it "provides compelling evidence of nonobviousness by illustrating ADS's wholesale copying" (A24) - without the slightest attempt to make any distinction between the facts related in that deposition that the jury heard from Zhou (A69-

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26 As the District Court noted, "Zhou testified in relevant part that Zibi [sic,Zvi] Yaniv brought the copyrighted prototype to ADS. That Jimmy Gau [sic, Gao] told ADS employees to take a picture of the prototype while Yaniv was absent, and that ADS only learned how to drive the display after it had knowledge of the defendant's technologies." (A35)

27 By definition, those matters in the Zhou deposition that *were covered by his trial testimony* (or, for that matter, the testimony of *any* witness) could not constitute "newly discovered" evidence, and thus no matter how "compelling" these facts might have seemed to the Court under its caselaw, they could not support relief under Rule 59.

A103) and others, and the facts (*if any*) that the jury did not hear. Indeed, the Federal Circuit found particularly compelling, under its caselaw, Zhou's testimony "that ADS built its electrical driver by disassembling Kent's prototype, photographing its features, and then using the photograph essentially as an instruction manual, " (A25), even though the jury heard those very facts from that same witness (A73-A85) and apparently found them anything *but* compelling.

With respect to infringement, the Federal Circuit relied upon Zhou's allegations that: (1) "the design of ADS's device was directly 'based upon' Kent's cholesteric material formula and its *electrical driver circuitry;*"(2) "Kent's and ADS's 'chemistry mixture[s] and the way they make the cell are the same;' and (3) " ADS failed to design a device that was different from the claimed invention" (A28, emphasis added). However, all of these same matters were encompassed within either Zhou's trial testimony or the testimony of other witnesses never mentioned by the court.[28] Further, by its explicit reliance on Zhou's testimony concerning the copying of the circuitry - a subject covered quite extensively in Zhou's trial testimony (A73-A85) - the Federal Circuit made clear that it was looking to Zhou's deposition *as a whole* - the "constellation of facts" in that deposition, as the court put it - rather than just that testimony which Kent's counsel did not elicit from Zhou at trial.

However, federal appellate courts have no right to assess the weight, persuasiveness, or credibility of evidence presented

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28 The Federal Circuit's entire approach to the issue of "cumulativeness" was flawed. The court seemed to suggest that if there was some matter in the Zhou deposition that was not addressed by *Zhou* at trial, then that matter could not be "cumulative" of the trial evidence. (A27, emphasizing that the jury did not hear Zhou's statements and "admissions"). Cumulativeness is determined by the substance of the evidence, not its source. The jury may not have heard all the facts in the Zhou deposition *from Zhou*, but they certainly heard them from others.

to a jury, and to use those determinations as a means to set aside jury verdicts.[29] To do so, particularly in the context of reviewing a denial of a motion for new trial, constitutes the exercise of an appellate review that is precluded by the Seventh Amendment. Fairmount Glass Works, 287 U.S. at 481-2. And it cannot make any difference that the *source* of the facts relied upon by the appellate court (here, a deposition transcript) is different than the *source* of the facts heard by the jury (here, the witness himself and others). See n. 28, *supra*. In the final analysis, the Federal Circuit reversed a jury verdict simply because Kent's appellate brief identified evidence from a source outside the trial record which was purportedly "persuasive" under the circuit's law - an outcome that was nothing less than a substitution of a Federal Circuit Opinion for a jury verdict resulting from a process that cannot even be called appellate review.

C. A Proper Application of the Johnson Standard Would Have Barred any Relief to Kent

This unfortunate result could have been avoided simply by applying the standard of review required by Johnson and by resorting to some of the principles of "legal relevance" upon which the Federal Circuit improperly rested its entire analysis.[30]

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29 An appellate court "is not empowered to sit as a super jury, substituting its view for the jury's assessment of the weight and credibility to assign to [conflicting evidence]." Bartley v. Euclid, Inc., 158 F.3d 261, 270-71 (5th Cir. 1998) *reversed on other grounds* 180 F.3d 175 (1999) (reh'g en banc), *citing* Gutierrez v. Excel Corp. , 106 F.3d 683, 687 (5th Cir. 1997)

30 The Federal Circuit seemed to assume that since evidence which is legally irrelevant can never be outcome determinative, the converse was true (i.e., that any legally relevant evidence would satisfy the requirement of "outcome determinativeness."). While a "legal relevance" test may be used (and should have been used here) to exclude evidence from consideration, it can never serve as a basis to hold that certain evidence,

Under Johnson, the Federal Circuit should first have examined in detail what the District Court said. The District Court's primary (but by no means only) reason for denying the motion was that the evidence was "cumulative." The Federal Circuit need not have proceeded beyond this finding to affirm the District Court, because the finding was certainly not "wholly unsupported." Johnson, 327 U.S. at 112.

The Federal Circuit held, with respect to obviousness, that there were three relevant areas covered by the Zhou deposition : ADS' "failed attempts" to design a driver and a polymer-free cell, ADS' copying of the drive circuitry, and ADS' use and experimentation with the "formula" and a "powder." (A23-A25). Dr Wu testified at trial (as did Zhou) that ADS had tried repeatedly, without success, to design a driver. Dr. Wu also testified as to numerous failed attempts to make a stable polymer-free cell.[31] The copying of the KDS copyrighted drive circuit was covered extensively by Zhou's trial testimony, and also addressed by Dr. Wu. Dr. Wu testified that he read the Kent publications on polymer-stabilized technology, and experimented with the "formula" (by which to synthesize polymer through use of a monomer powder). Thus, the District Court's conclusion that such testimony was cumulative was clearly *not* "wholly unsupported."

With respect to infringement, the Federal Circuit held that the Zhou deposition testimony was somehow material (though not itself relevant) because it "directly addresses how ADS's electrical driver circuitry was designed and implemented" and shows that "the way in which ADS's device causes the liquid crystal to switch"(A28). The first of these matters was

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considered in a vacuum, is determinative.

31 Indeed, when questioned by the District Court at the hearing on the motion for new trial as to what was "new" in the Zhou deposition, Kent's counsel never claimed that the testimony of such "failed attempts" was new.

covered extensively in both Zhou's trial testimony (A70-A103) and in the testimony of Dr. Wu. Extensive evidence concerning the way in which "ADS's device causes the liquid crystal to switch" was presented by Kent's *own expert*, Dr. Crawford, who examined ADS' device in detail and testified at trial. Again, the District Court's finding that the evidence was "cumulative" found ample support in the record.

If the Federal Circuit had needed to look beyond these findings and scrutinize the District Court's decision further in order to affirm it, it would have discerned that the District Court's other findings also had support in the record. In addition to finding the evidence cumulative, the District Court expressed serious doubts as to whether Kent had established the requisite nexus between the purported "new" evidence and the claims of the West Patent.(A37) If the Federal Circuit had simply perused the undisputed Claims Construction (A52-A64) and reviewed the testimony of Dr. West,[32] it would have seen that these doubts were well-founded. The claims of the West Patent did not, as a matter of law, encompass any particular type of drive circuitry, particular types of cholesteric materials, monomer powder used to synthesize polymer, or "formulas" for such polymer materials.[33] Kent never construed the West Patent to encompass such matters until after the jury verdict - when it was forced to concoct some means to attack it due to its own decision not to (or failure to) move for JMOL at trial.[34]

Had the Federal Circuit needed to examine still further the findings of the District Court to discern that there was no "abuse of discretion," it would have discovered findings by the

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32 See n.6, *supra*.

33 See n.12, *supra*; see also A52-A64 (Claims Construction)

34 The Claims Construction adopted by the District Court (A52-A64) was almost completely derived from *Kent's* proposed construction of the West Patent.

District Court's that were simply unassailable on this record: (1) that Kent was not prevented from eliciting at trial any relevant facts Zhou knew; and (2) Kent was not materially prejudiced by the non-production of the deposition.(A38,A39). As the party with the burden of proof on the motion, Kent was clearly required to show that the evidence was in fact "new" and unknown to it during the trial. Not a single affidavit from any of Kent's numerous attorneys was tendered to the Court on this matter, and the silence of Kent's two lead trial attorneys, Mr. Sharpe and Ms. Gebauer, was quite telling. Zhou testified at trial that he had "three of four" contacts with Kent counsel prior to being called as a witness(A103).Given the multiple opportunities to interview the witness, the fact that the witness was actually called to the stand at trial, Kent's knowledge of the deposition (A85-A88), and the silence of Kent and its counsel on the question of what they knew, the District Court's findings in this regard were amply supported.

Further, if the Federal Circuit had been willing to put its "legal relevance" test to a *proper* use - as a tool to weed out from consideration evidence which had *no possible bearing* on the case - it would have excluded the entire Zhou deposition.[35] Evidence of copying has no legal force or effect unless the copyist possesses skill in the art pertaining to the object of copying. Warner-Jenkinson Co. v. Hilton Davis Chem. Co., 520 U.S. 17, 35 - 37 (1997). There was no evidence to show

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35 As the Federal Circuit itself noted, the evidence of alleged copying could not be relevant to *infringement*. (A28). Since the alleged use of Kent's technology occurred almost *two full years* before the issuance of the West Patent, it could not constitute either direct or circumstantial evidence of *patent infringement*, even if the West Patent *had* later issued with claims encompassing the copied technology. *See* 35 U.S.C. § 154(a)(2) (term of patent begins on date of issue) and 35 U.S.C. § 271(a) (infringement consists of making, using, selling, or offering to sell the patented invention during the term of the patent).

that any of the persons involved in the alleged copying of the KDS circuitry had any skill whatsoever in the field of electrical engineering. Indeed, had they possessed such skill and still been interested in determining what driver parts Kent used, they would have simply consulted the Japan Display Article (see n.11, *supra*). Further, to meet even the minimum standard of relevancy, the copying must be directed to the *claimed invention* of the Patent. Despite its repeated assertions that ADS copied the "claimed invention," the Federal Circuit apparently never consulted the Claims Construction, and, had it done so, should have recognized that such assertions were wholly unfounded.

In short, had the Federal Circuit applied the Johnson standard of review and utilized standards of relevance properly, it would have been compelled to conclude there was no "abuse of discretion." Because it failed to do, its judgment must now be reversed.

D. It is the Province of District Courts to Decide How to Best Exercise the "Inherent Powers" They Possess to Manage Their Own Affairs.

To shore up its decision to grant Kent a new trial for "newly discovered" evidence, the Federal Circuit granted the same relief as a "sanction" under "inherent powers."[36] As a prelude to its discussion of sanctions, the Federal Circuit conceded that the regional law of the Fifth Circuit governed, and that "the threshold for the imposition of such sanctions is high" (A30). Bound, as it admitted it was, to apply the mandate of this Court in NASCO and Fifth Circuit precedent such as Chaves v.

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36 Two of the three recipients of this relief had not even requested it. KSU and KRC abandoned or withdrew their motion for sanctions in the District Court, and thus, unlike KDS, could not and did not raise any sanctions issue in their Notice of Appeal. (A34,A65-A67) Therefore, the Federal Circuit lacked jurisdiction to award them any such relief by appeal. Torres v. Oakland Scavenger Co., 487 U.S. 312 (1988).(notice of appeal is jurisdictional).

M/V Medina Star, 46 F.3d 153, 156 (5th Cir. 1995), the Federal Circuit also correctly noted that "*the district court* must make a specific finding of bad faith" in order for sanctions to be imposed. (A30, emphasis added). Having correctly stated the applicable law, the Federal Circuit promptly abdicated its duty to apply it.[37]

The Federal Circuit arrived at its intended destination (an alternative ground for its decision to grant a new trial) by treading across forbidden territory: it entered what it had already acknowledged was the District Court's realm by, rendering *its own de novo finding of bad faith conduct* - a finding it acknowledged must be made by a district court and one that the District Court had *refused* to make with an express holding that there was "no evidence to support"it.(A39). Then, having improperly trespassed onto territory reserved to the District Court, it *imposed its own sanctions* based on that "finding," even though the alleged bad faith conduct occurred in *another court.*

The putative basis for the Federal Circuit's *de novo* finding of bad faith conduct was its conclusion that various acts by ADS' counsel constituted willful concealment of material evidence.[38] The Federal Circuit, however, failed to even consider the record before the District Court, which included extensive evidence that: (i) the Zhou deposition and photograph were *not* covered by any extant discovery requests; (ii) that there was a legitimate and good faith reason for requesting the termination

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37 This is reminiscent of the court's discussion of the motion for new trial. At the outset of that analysis, the court stated that it was bound to apply an "abuse of discretion" standard (A22), but then never applied it.

38Those alleged acts included: (i) failing to produce the Zhou Deposition and Photograph; (ii) attempting to terminate the Zhou Deposition and requesting the court reporter not to transcribe the Deposition; and (iii) failing to list Zhou as a person with knowledge of ADS' development of ADS' technology.

of the deposition and asking that it not be transcribed; (iii) that ADS and KDS counsel had agreed that ADS' alleged theft of technology had no bearing on the patent trial; and (iv) that ADS *had listed* Zhou as a person with knowledge of the development of ADS' technology and had provided documents and deposition testimony to show the extent of his knowledge. In light of the restraint imposed on the exercise of inherent sanctions powers by this Court in NASCO, the District Court wisely concluded that it should not make a finding of bad faith on the record before it.[39]

Even in the face of all this, the Federal Circuit still managed to find bad faith where the District Court had found none. It did so not by resort to consideration of any evidence in the record (the evidence which had led the District Court away from such a finding), but by converting the District Court's self-described "unsubstantiated suspicions" into a surrogate for a district court findings of "bad faith," and by then adopting those suspicions as the basis for its own *de novo* finding.

This process goes far beyond the pale of any legitimate appellate review, and in employing that process, the Federal Circuit violated both the letter and spirit of NASCO. It disobeyed the letter of NASCO by entering its own finding of bad faith despite the District Court's conclusion that there was insufficient evidence to support it; and it offended the spirit of NASCO by sending a message to all district courts whose decisions may be reviewed by the Federal Circuit to either impose sanctions freely and liberally based on their "unsubstantiated suspicions" of bad faith conduct, or face a reversal. This can only encourage courts to treat their inherent

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39 Specifically, the District Court noted that "unsubstantiated suspicions standing alone are not sufficient to justify the imposition of sanctions." (A38) and that, if the matter was to be pursued "further proceedings [would be] necessary in order to develop an evidentiary record" to determine whether sanctions or disciplinary action could be imposed.(A39).

authority as if it were a "broad reservoir of power, ready at an imperial hand.." *Cf.* NASCO, 501 U.S. at 42.

Moreover, the Federal Circuit, by rendering a finding of "bad faith" notwithstanding the District Court's admonition that an evidentiary proceeding would be required, abrogated the protection afforded ADS and its counsel by the Due Process Clause. As this Court concluded in NASCO, it is that Clause which provides the underpinnings of the requirement that courts exercise restraint in both in determining the requisite "bad faith" and in assessing a sanction. 501 U.S. at 50.

Another fundamental flaw in the Federal Circuit's approach to the sanctions issue was the fact that the Federal Circuit took it upon itself to both decide that sanctions were in order, and to select the appropriate sanction, rather than leave the matter to the District Court. The Federal Circuit had no possible grounds for resorting to its own "inherent powers,"and absolutely no right to exercise those of the District Court. "Inherent powers" stem from the "control necessarily vested in courts to *manage their own affairs*." Link v. Wabash R. Co., 370 U.S. 626, 630(1962) (emphasis added). The Federal Circuit identified no conduct of either ADS or its counsel that interfered with the Federal Circuit's ability to manage *its* affairs. Thus, it would appear that the Federal Circuit's "sanction" was either a purported exercise of the *District Court's* "inherent powers" - an exercise of such powers that was undertaken notwithstanding the fact that the District Court had specifically declined to utilize them and found no proper occasion for their use - or a resort to a "broad reservoir"of some previously unrecognized power residing in appellate courts to *interfere with* the affairs of lower courts.

CONCLUSION AND PRAYER

For the foregoing reasons, this Court should GRANT the writ of certiorari to review the judgment of the Federal Circuit, and upon consideration of the case, REVERSE that judgment.

Respectfully Submitted,

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APPENDIX

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United States Court of Appeals
for the Federal Circuit
99-1012,-1013

ADVANCED DISPLAY SYSTEMS, INC.,
Plaintiff-Appellee,
and
BAO GANG WU,
Third Party Defendant-Appellee,
v.
KENT STATE UNIVERSITY and KENT RESEARCH CORPORATION,
Defendants/Third Party
Plaintiffs-Appellants,
and
KENT DISPLAY SYSTEMS, INC.,
Defendant/Third Party
Plaintiff-Appellant.

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Appealed from: United States District Court for the Northern District of Texas

Judge Jeffrey A. Kaplan

United States Court of Appeals
for the Federal Circuit

99-1012, -1013

ADVANCED DISPLAY SYSTEMS, INC.,
Plaintiff-Appellee,

and

BAO GANG WU,
Third-Party Defendant-Appellee.

v.

KENT STATE UNIVERSITY and KENT RESEARCH CORPORATION,

Defendants/Third-Party
Plaintiffs-Appellants,

and

KENT DISPLAY SYSTEMS, INC.,

Defendant/Third-Party
Plaintiff-Appellant,

DECIDED: May 18, 2000

Before PLAGER, SCHALL, and GAJARSA, Circuit Judges.

GAJARSA, Circuit Judge.

DECISION

This is an appeal from the judgment of the United States District Court for the Northern District of Texas, entered on a jury verdict, in a consolidated declaratory judgment and patent infringement action relating to U.S. Patent No. 5,453,863 (the "West patent"). Advanced Display Systems, Inc. ("ADS") filed a complaint in the Northern District of Texas seeking a declaratory judgment of invalidity of the West patent. Kent State University ("KSU"), an assignee of the West patent, and licensees Kent Research Corporation ("KRC") and Kent Display Systems, Inc. ("KDS") (collectively "Kent") then filed an infringement action, and the two cases were consolidated with Kent as the nominal defendant and ADS as the nominal plaintiff. The parties agreed to have a magistrate judge preside over the jury trial. Following the two-week trial, the jury found that the West patent was invalid for anticipation and obviousness and not infringed by ADS. Kent then moved for a new trial on all the issues in light of newly discovered evidence. Kent also moved for a new trial on anticipation, alleging an erroneous jury instruction. In addition, Kent filed a motion for sanctions against ADS's counsel for withholding evidence during discovery. The magistrate judge denied all of these motions. On appeal, we hold that prejudicial legal error tainted the jury instruction, we vacate the judgment, and remand for a new trial on anticipation. We also remand for a new trial on obviousness and infringement in light of the newly discovered evidence. Finally, we reverse the magistrate judge's ruling on the motion for sanctions.

BACKGROUND

Since 1965, scientists at KSU's Liquid Crystal Institute ("LCI") have been researching the various properties and applications of liquid crystal materials. An important area of

research focused on liquid crystal displays ("LCDs"). A typical LCD consists of a sandwich of liquid crystal material between two glass substrates. An electrical driver[1] connects to the sandwich in order to stimulate or address the liquid crystal material, thereby creating readable numerical or alphabetical characters. Manufacturers of electro-optic products, such as digital watches and notebook computers screens, use LCDs to display images and information.

Traditionally, LCDs were constructed by combining varying concentrations of liquid crystal materials and polymers. For example, one method for creating LCDs involved evaporating water from an aqueous emulsion of liquid crystal material in a solution of water-soluble polymer. Another method involved phase separation of liquid crystal from a homogenous solution with a synthetic resin to generate a liquid crystal phase blended with a polymer phase. Those methods, however, were expensive and entailed complex manufacturing processes. In addition, the presence of polymers created a haze effect that obstructed visibility of the displayed information when the LCDs were viewed from oblique angles.

In early 1992, Dr. John West ("West"), director of LCI, began experimenting with techniques for developing polymer-free LCDs. West eventually developed a new, polymer-free LCD using cholesteric visible materials.[2] West determined that applying an electric determined that applying an electric field pulse of sufficient duration and voltage to cholesteric visible

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1 An electrical driver is a device in which a power supply connects to electrodes, active matrices, and multiplexing circuits.

[2] Cholesteric visible material, also referred to as chiral nematic material, has a positive dielectric anisotropy and a pitch length effective to reflect light in the visible spectrum. Positive dielectric anisotropy refers to the material's ability to align parallel to an applied electric field.

material creates a contrast between the material's light reflecting and light scattering textures, thereby enabling a stable image display. West further found that a stable image could be sustained through a single electric field pulse rather than continuous application of an electric field. Thus, through the unique use of cholesteric visible materials, West achieved the advantages of prior LCDs without the drawbacks attendant to the use of polymers.

On May 4, 1993, West and his colleague, Dr. Deng-Ke Yang, filed a patent application covering their polymer-free device and a method for stimulating it. On September 26, 1995, the application matured into the West patent. West then assigned the patent to KSU, which through its licensing arm KRC, subsequently licensed the patent to KDS.

In February 1992, Dr. Bao Gang Wu ("Wu"), a former KSU student and colleague of West, formed ADS. In June 1993, Jiamini Gao ("Gao"), ADS's vice-president of research and development, secured a written formula for Kent's cholesteric LCD. Even with knowledge of that formula, however, ADS failed to develop a functional LCD device because it could not construct an effective electrical driver.

In early 1994, Dr. Zvi Yaniv ("Yaniv"), then president of KDS and a former classmate of Wu, visited ADS and demonstrated a prototype of Kent's cholesteric LCD and its electrical driver. Following the demonstration, Yaniv went to lunch with Wu, leaving the prototype at ADS's offices. Seizing the opportunity, Gao clandestinely removed the prototype from its box and brought it into an ADS laboratory. Gao then instructed a group of ADS engineers, including Victor Zhou ("Zhou"), to disassemble the prototype, photograph its various components, and re-assemble it in such a manner as to avoid any indication of tampering. Throughout this process, Gao urged

his employees to work quickly to avoid detection because he knew the implication of the theft.

Prior to Yaniv's visit, ADS failed to develop an operational, polymer-free LCD through its independent efforts. Equipped with the photographs of Kent's prototype, however, ADS replicated Kent's cholesteric LCD and electrical driver within a month. On April 11, 1994, ADS also filed a patent application for a polymer-free LCD based on the equivalent subject matter that had been photographed and copied during the surreptitious disassembly of Kent's prototype. The patent listed Wu, Gao, Zhou, and Yao-Dong Ma as inventors. While ADS's application was pending, the West patent issued, and the Patent and Trademark Office Examiner rejected ADS's claims directed exclusively to polymer-free LCDs as anticipated by the West patent. ADS consequently amended and limited its claims to cover the application of surface treatment in polymer-free LCDs. The ADS application eventually matured into U.S. Patent No. 5,625,477 on April 29, 1997.

In early 1996, Kent learned that ADS was promoting a polymer-free LCD and notified ADS that it intended to enforce the West patent. While Kent and ADS were discussing licensing arrangements, ADS filed a complaint in the Northern District of Texas seeking a declaratory judgment of invalidity of the West patent. After settlement negotiations failed, Kent sued ADS for infringement of the West patent, and the cases were consolidated in the Northern District of Texas.

Concurrent with discovery in the present case, ADS filed suit in Texas state court against USA Display, a company with several former ADS employees, alleging trade secret misappropriation. ADS's attorneys in the USA Display suit and in the present case were from the same law firm. During discovery in the USA Display suit, Zhou's deposition was taken.

The pertinent parts of the deposition are set forth below.

Q: Can you describe for me or explain to me what Exhibit 3 is?

A: This is a picture taken by an employee in ADS. I cannot remember who took it, but I know Dr. Zvi Yaniv [and Kent] also develop a similar display, they call [theirs] bistable display, but in ADS they call multistable display. But ADS did not know how to design the driver for this device. So one day Dr. Zvi Yaniv visited ADS with a sample, and [Kent] have [a] completed driver .... And Dr. Zvi Yaniv gave to Jianmi Gao, who is the vice president of ADS and boss of R & D group, so he opened Dr. Zvi Yaniv['s] ... sample, and took this picture, while at that time Dr. Zvi Yaniv was not there. So [Yaniv] did not know.

....

Q: What is this picture of?

A: This picture is the picture for the sample brought by Zvi Yaniv.

....

Q: And [Yaniv] gave [the sample to ADS]?

A: [H]e not gave a sample, he just waited at ADS with a sample and -

Q: [T]hen he left?

A: No, he did not [leave], he showed the sample. But during [t]his time period he left and [Gao] opened the box and took the picture.

....

Q: You were there?

A: Yeah, I was there.

Q: Did you open up the driver?

A: Yes. I was an employee there. I did whatever my boss told me to do.

. . . .

Q: Where was Mr. Zvi Yaniv [at that time]?]

A: Well, we are taking picture and I don't know who he was talking to, but he was somewhere within the building or maybe left for lunch. . . . I just know that [Gao] want us to take the picture, and we took it.

. . . .

Q: Prior to the meeting in which the Kent State product was taken apart and photographed at ADS . . . was ADS working on a similar type of display?

A: Yeah. They were trying to develop the similar thing.

Q: You said . . . that ADS was trying to but had not succeeded in making a driver for [their LCD]; is that correct?

A: Yes that's correct.

. . . .

Q: Would you please describe the difficulties?

A: Yeah, we did not know how to drive the new display since the driving is another difficult part for design[ing] the whole display. We did not know how to drive it, what kind of waveform . . . . We did not know that.

Q: [Was] exhibit 3 [helpful]?

A: Right. Exhibit 3. This is very big help. So since then we knew, we start to know how to design the driver.

. . . .

Q: [B]efore the photograph was made. How was

[Gao] involved in trying to make the driver?
A: We tried [for] a long time - we tried to understand how to drive it, but were not successful.
Q: Did [Gao know?]
A: He had some idea but all not successful.
Q: None of his ideas were?
A: No. We didn't even-
. . . .
Q: [During] the time period before the Kent State product was taken apart and photographed in the ADS lab. . . . [Was] ADS . . . trying to make a driver?
A: Right.
Q: And failed. Could not do it.
A: No. They did not have an idea at that time.]
. . . .
Q: Why did ADS need a driver for [its LCD]?
A: Without the driving circuit, no one [is] interested in that [LCD]. That is just a piece of glass. You have to make the life.
. . . .
Q: Do you know when . . . Mr. Gao brought you the formula for the Kent State cholesteric material?
. . . .
A: Before June.
Q: Before June of what?
A: June '93.
Q: Before Mr. Gao gave you the formulation, had ADS succeeded in making any [LCD] cholesteric materials?
A: I did not see it.

Q: After he gave you what he told you to be the Kent State formula, were you successful in making cholesteric [LCD] material?

A: Yeah.

Q: You were?

A: After he gave me [the Kent State formulation].

Q: How long did it take you after he gave you the formulation?

A: Few days.

. . . .

Q: All right. Now after you used the Kent State formulation to make the [LCD], your next problem was the driver?

A: Yeah.

Q: And on the day that Zvi Yaniv visited ADS and brought the [Kent prototype] module to show everybody, that the photographs were made, did Zvi Yaniv know the module was being photographed?

A: [Gao] . . . told us to be quick. Don't let Dr. Zvi Yaniv know . . . .

. . . .

Q: So after the photographs were made, what happened to the [Kent prototype]? Was it reassembled?

A: Reassembled and the[n] gave [it back to Yaniv].

Q: How long did it take to photograph it?

A: Pretty quick.

Q: [Gao] told you to be quick, didn't he?

A: Yeah, pretty quick.

. . . .

Q: After the Kent State [prototype] was copied, were you successful in making a driver?
A: Yes. After about a month or so.
Q: How did your driver compare to the Kent State driver?
A: We changed the microprocessor but we used the driver. The driver is the key part, the most important to this.
. . . .
Q: The cholesteric material that was developed at ADS was based upon the formulas from Kent State?
A: Yes.
Q: And the driver on the [LCD] at ADS was based upon the driver from Kent State?
A: Yeah, at that time, yes.
. . . .
Q: You didn't know whether Kent State or ADS owned the technology, did you?
A: I know—technically I know the basic[s] are the same.
Q: The basic[s] of the Kent State—
A: The chemistry mixture and the way they make the cell are the same.
Q: As Kent State and ADS?
A: Right. . . .]
. . . .
Q: Why didn't [ADS] just buy the functioning [driver] . . . ?
A: [I]t is not market available, I think. We cannot buy it.
. . . .

Q: Is it true that there are hundreds of shelf drivers?

A: Thousands and thousands.

Q: And so theoretically you could begin today to test and test drivers for years and not, other than by accident, hit the right driver?

A: By luck you may get it in a second. If not luck, it takes 10 years, it takes your life.

Q: So in order to find one that [properly charged the LCD], you either do random experimentation to find a shelf driver or invent or create a new driver?'

A: Yeah.

Q: Or use somebody else's driver?

A: Right.

. . . .

Q: [N]one of [the drivers] was built before ADS got this photograph?

A: Right.

Q: So the entire system that makes this was still to be done?

A: Right.

Q: And was anybody working on designing this system?

A: [W]e did not know how to design . . . . We don't know.

. . . .

Q: [Dr. Wu] told you to change things around so that he could get out—away from an earlier patent?

A: He tried to find us a new way to build another kind of [polymer-free LCD] so we can avoid a

conflict with Kent State, yes.

. . . .

Q: Why didn't you find a new way?

A: It is very hard. . . . We did not have the time, we did not have the money to test everything.

During this testimony, ADS's attorney attempted to terminate the deposition and telephoned the presiding judge to request a protective order. The judge denied ADS's request but suggested that both parties keep the deposition confidential until ADS filed a formal motion for a protective order. ADS, however, never filed the motion and eventually abandoned the suit. ADS's attorney also instructed the court reporter not to prepare a transcript of the deposition.

During discovery in the present case, ADS failed to disclose to Kent the events that took place during Yaniv's lunch with Wu in spite of various demands made upon ADS. In particular, Kent served upon ADS a document request for "[a]ll documents that refer or relate to any evaluation, analysis, examination, testing, performance, or investigation of any light-modulating reflective device comprising [cholesteric material] or any compound thereof made by KDS, the [LCI], or any third party." ADS's attorneys, however, failed to notify Kent about Zhou's identity or the deposition in the USA Display suit. ADS's attorneys also failed to produce the photograph of Kent's prototype, instead characterizing it as "Attorney Work Product" in the privilege log.[3]

At the end of discovery, all pre-trial issues regarding claim construction, validity, and infringement were submitted to a Special Master, who construed the claims and recommended

[3] At oral argument, ADS's counsel claimed that the photograph in its possession was attorney work product because it was a copy made by an attorney of the original photograph.

a denial of ADS's motion for summary judgment on the issue of anticipation. The magistrate judge then adopted the Special Master's report, and this case proceeded to a jury trial.

At trial, both parties presented evidence and expert testimony concerning anticipation, obviousness, and infringement. On the issue of anticipation, in particular, ADS argued that the West patent was anticipated by U.S. Patent No. 4,097,127 (the "Haas patent") and the documents incorporated by reference therein. The documents incorporated into the Haas patent disclosed hundreds of different liquid crystal materials that could reflect visible and infrared light. From that body of materials, ADS contended, with perfect hindsight, that the combination of the Haas patent and three particular liquid crystal materials taught every element of the West patent.

Into the first week of trial, Kent was advised by Mr. Kan Xu, a former ADS employee and president of USA Display, that Zhou possessed information relevant to the case. Then, more than one week into trial and without an opportunity to probe Zhou's knowledge, Kent called Zhou to testify about how ADS disassembled Kent's prototype and photographed it. The photograph was also finally provided to Kent and admitted into evidence. At this stage, however, Kent still did not possess a copy of Zhou's deposition transcript from the USA Display suit.

At the close of evidence, Kent's attorney did not make a motion for Judgment as a Matter of Law ("JMOL") on either the validity or infringement issues. On the issue of anticipation, the magistrate judge instructed the jury that their role was to determine whether and to what extent material from other documents was incorporated by reference into the Haas patent. Kent's attorney objected to this instruction, but the magistrate judge overruled the objection and included the instruction in his final charge to the jury. The magistrate judge also provided the

following definition of incorporation by reference:

> [T]he purpose of incorporation by reference is to make one document become part of another document by referring to the form in the latter in such a manner that it is apparent that the cited document is part of the referencing document as if it were fully set out therein.

After initial deliberations, the jury was unable to resolve the issues of anticipation and obviousness. The magistrate judge, however, instructed the jurors to continue deliberating until they reached a verdict. Two hours later, the jury determined that the West patent was invalid for anticipation and obviousness and not infringed.

Following the jury verdict, Kent's attorney again failed to make a motion for JMOL. Rather, having finally received Zhou's deposition transcript, Kent filed a motion for a new trial based on (1) newly discovered evidence in view of the deposition, and (2) ADS's withholding of relevant evidence during discovery. KDS also filed a motion seeking the imposition of sanctions against ADS and its attorneys for improper conduct during discovery. Regarding Kent's motion for a new trial, the magistrate judge found that Zhou's deposition was merely cumulative of his testimony at trial. The magistrate judge also determined that Kent was not prejudiced by the late disclosure of the photograph and the evidence relating to ADS's disassembly of Kent's prototype, because Kent was able to present that evidence to the jury. As for sanctions, the magistrate judge denied KDS's motion but remarked that he was "deeply concerned" with the conduct of ADS's attorneys and indicated that he would consider further disciplinary action.

ANTICIPATION

Anticipation is a question of fact, see In re Graves, 69

F.3d 1147, 1151, 36 USPQ2d 1697, 1700 (Fed. Cir. 1995), that this court reviews for substantial evidence on appeal from a jury trial, see Baxter Int'l, Inc. v. McGaw, Inc., 149 F.3d 1321, 1332, 47 USPQ2d 1225, 1233 (Fed. Cir. 1998). However, a party's failure to make a motion for JMOL, see Fed. R. Civ. P. 50(b), at any phase of the litigation precludes an appellate court from reviewing the sufficiency of the evidence underlying the jury verdict. See Biodex Corp. v. Loredan Biomedical Inc., 946 F.2d 850, 862, 20 USPQ2d 1252, 1261 (Fed. Cir. 1991) (holding that failure to make a post-verdict JMOL forecloses appellate review of the jury's factfinding); Jurgens v. McKasy, 927 F.2d 1552, 1557, 18 USPQ2d 1031, 1035 (Fed. Cir. 1991) (requiring a party to make a motion for directed verdict in order to challenge the sufficiency of the evidence on appeal); see also 9A Charles Alan Wright & Arthur R. Miller, Federal Practice & Procedure § 2536 (2d ed. 1994) (explaining that the rationale for the rule is that a party's failure to make a motion for JMOL works as a concession that sufficient evidence exists for a jury to reach a verdict). In the present case, because Kent did not make a motion for JMOL at the close of evidence or following the jury verdict, we will not disturb the jury's factual determinations.

Notwithstanding the absence of a motion for JMOL, a party may still challenge a jury verdict by establishing that the judge committed legal error or abused his discretion. See Biodex, 946 F.2d at 854, 20 USPQ2d at 1255 (stating that jury verdict may be altered if the instructions "were incorrect or incomplete as given"); Jurgens, 927 F.2d at 1557-58, 18 USPQ2d at 1036 (providing that, despite the absence of a JMOL motion, party could challenge judgment based on jury instructions). On appeal, Kent contends that the magistrate judge committed legal error by instructing the jury to determine

what material was incorporated by reference into the Haas patent for purposes of anticipation.[4] A party seeking to alter a judgment based on erroneous jury instructions must establish that (1) it made a proper and timely objection to the jury instructions, (2) those instructions were legally erroneous, see Biodex, 946 F.2d at 853-54, 20 USPQ2d at 1254-55, (3) the errors had prejudicial effect, see Jamesbury Corp. v. Litton Indus. Prod., Inc., 756 F.2d 1556, 1558, 225 USPQ 253, 255 (Fed. Cir. 1985), and (4) it requested alternative instructions that would have remedied the error. See Delta-X Corp. v. Baker Hughes Prod. Tools, Inc., 984 F.2d 410, 415, 25 USPQ2d 1447, 1450-51 (Fed. Cir. 1993).

Pursuant to Rule 51 of the Federal Rules of Civil Procedure, a party must object to jury instructions "before the jury retires to consider its verdict, stating distinctly the matter objected to and the grounds for objection." Fed. R. Civ. P. 51. Because objection to a jury instruction involves a procedural matter that is not intimately related to this court's exclusive jurisdiction, we look to the regional circuit law to ascertain the requirements necessary to comply with the rule. See Lummus Indus., Inc. v. D.M. & E., Corp., 862 F.2d 267, 270, 8 USPQ2d 1983, 1985 (Fed. Cir. 1988) (applying Fourth Circuit law to determine whether a party timely objected to a jury instruction). According to Fifth Circuit law, a party satisfies Rule 51 by objecting to an instruction prior to the jury's deliberation and stating the reason for its objection. See A.B. Baumstimler v. Rankin, 677 F.2d 1061, 1069, 215 USPQ 575, 581-82 (5th Cir.

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[4] Kent also filed a motion for a new trial on anticipation in light of the newly discovered evidence. Anticipation presents a question of what a prior art publication teaches, and because the Haas patent was available to Kent during trial, we do not understand Kent's motion for a new trial based on newly discovered evidence to pertain to the anticipation issue.

1982). Here, Kent objected before the magistrate judge charged the jury and explained that the instruction was erroneous because the jury should not decide what material was incorporated by reference. Kent's objection therefore complied with Fifth Circuit law.

Whether a jury instruction is legally erroneous is a question of law. See Brooktree Corp. v. Advanced Micro Devices, Inc., 977 F.2d 1555, 1570, 24 USPQ2d 1401, 1411 (Fed. Cir. 1992). When reviewing an instruction for legal error, this court reads the instructions as a whole and considers them in light of the entire charge to the jury. See United States Surgical Corp. v. Ethicon, Inc., 103 F.3d 1554, 1564, 41 USPQ2d 1225, 1232 (Fed. Cir. 1997) ("Jury instructions are reviewed for correctness, with due attention to their clarity, objectivity, and adequacy, taken as a whole."); Biodex, 946 F.2d at 854, 20 USPQ2d at 1255 (noting that this court reviews jury instructions in their entirety). Here, the relevant inquiry is whether the magistrate judge committed legal error in his jury instruction on anticipation.

Section 102(b) provides that "a person shall be entitled to a patent unless the invention was patented or described in a printed publication . . . more than one year prior to the date of the application." 35 U.S.C. § 102(b) (1994). Accordingly, invalidity by anticipation requires that the four corners of a single, prior art document describe every element of the claimed invention, either expressly or inherently, such that a person of ordinary skill in the art could practice the invention without undue experimentation. See Atlas Powder Co. v. Ireco Inc., 190 F.3d 1342, 1347, 51 USPQ2d 1943, 1947 (Fed. Cir. 1999); In re Paulsen, 30 F.3d 1475, 1479, 31 USPQ2d 1671, 1673 (Fed. Cir. 1994). Material not explicitly contained in the single, prior art document may still be considered for purposes of

anticipation if that material is incorporated by reference into the document. See Ultradent Prods., Inc. v. Life-Like Cosmetics, Inc., 127 F.3d 1065, 1069, 44 USPQ2d 1336, 1339-40 (Fed. Cir. 1997) (holding that material incorporated by reference into a document may be considered in an anticipation determination). Incorporation by reference provides a method for integrating material from various documents into a host document—a patent or printed publication in an anticipation determination—by citing such material in a manner that makes clear that the material is effectively part of the host document as if it were explicitly contained therein. See General Elec. Co. v. Brenner, 407 F.2d 1258, 1261-62, 159 USPQ 335, 337 (D.C. Cir. 1968); In re Lund, 376 F.2d 982, 989, 153 USPQ 625, 631 (CCPA 1967). To incorporate material by reference, the host document must identify with detailed particularity what specific material it incorporates and clearly indicate where that material is found in the various documents. See In re Seversky, 474 F.2d 671, 674, 177 USPQ 144, 146 (CCPA 1973) (providing that incorporation by reference requires a statement "clearly identifying the subject matter which is incorporated and where it is to be found"); In re Saunders, 444 F.2d 599, 602-03, 170 USPQ 213, 216-17 (CCPA 1971) (reasoning that a rejection for anticipation is appropriate only if one reference "expressly incorporates a particular part" of another reference); National Latex Prods. Co. v. Sun Rubber Co., 274 F.2d 224, 230, 123 USPQ 279, 283 (6th Cir. 1959) (requiring a specific reference to material in an earlier application in order have that material considered part of a later application); cf. Lund, 376 F.2d at 989, 153 USPQ at 631 (holding that a one sentence reference to an abandoned application is not sufficient to incorporate material from the abandoned application into a new application). Whether and to what extent material has been incorporated by reference into a host document is a question of law. See Quaker City Gear Works, Inc. v. Skil Corp., 747 F.2d 1446, 1453-54, 223 USPQ 1161, 1166 (Fed. Cir. 1984) (reasoning that whether a document is incorporated by reference into a patent presents

a question of law when determining enablement). As the court observed in General Electric, the doctrine of incorporation by reference has its roots in the law of wills and contracts. 407 F.2d at 1260, 159 USPQ at 337. In those areas of jurisprudence, whether material is incorporated by reference presents a question of law. See 11 Richard A. Lord, Williston on Contracts § 30:25 (4th ed. 1999) (observing that terms of a contract may be expressed in separate documents and the determination of which terms are incorporated into the contract is a question of law); George Taylor Bogert, The Law of Trusts and Trustees, § 105 (2d ed. rev. 1984) (describing the use of incorporation by reference to supply additional terms to a will and providing cases holding that whether terms are incorporated into a will is a question of law); see also Topro Servs., Inc. v. McCarthy W. Constr., Inc., 827 F. Supp. 666, 667 (D. Colo. 1993) ("Whether the Prime Contract, or any part of it, was incorporated by reference into the Subcontract is a question of law."); Siler v. Dorsett, 108 N.C. 300, 302, 12 S.E. 986, 987 (N.C. 1891) (holding that court decides whether a will incorporated material from other documents). Logic therefore requires that incorporation by reference in the field of patent law is also a question of law. Further, the standard of one reasonably skilled in the art should be used to determine whether the host document describes the material to be incorporated by reference with sufficient particularity.

Moreover, no necessary contradiction exists given that incorporation by reference is a question of law while anticipation is a question of fact. Anticipation, put simply, requires that every element of the claimed invention was previously "described in a single reference." Scripps Clinic & Research Found. v. Genentech, Inc., 927 F.2d 1565, 1576 (Fed. Cir. 1991) (emphasis added). Thus, if incorporation by reference comes into play in an anticipation determination, the court's role is to determine what material in addition to the host document constitutes the single reference. The factfinder's role, in turn, is to determine whether that single reference describes the claimed

invention.

Turning now to the present case, ADS argued at trial that the West patent was anticipated by the Haas patent and the material incorporated therein from other documents. The magistrate judge charged the jury with the task of determining what material was incorporated by reference. As explained above, it was the duty of the magistrate judge to determine, as a matter of law, whether and what material was incorporated by reference into the Haas patent. Thus, we conclude that instructing the jury to make that determination constituted legal error.

We next consider whether that error was prejudicial. Prejudicial legal error exists when it "appears to the court [that the error is] inconsistent with substantial justice." Fed. R. Civ. P. 61. In the present case, determining what material was incorporated by reference into the Haas patent was a critical question of law for the magistrate judge to resolve before submitting the factual issue of anticipation to the jury. Indeed, during trial, ADS never contended that the material explicitly set forth in the Haas patent alone would anticipate the West patent. Rather, ADS's anticipation argument hinged on the combination of the Haas patent and the material potentially incorporated therein. The magistrate judge, however, failed to address the legal question; instead, he left that determination for the jury. This misallocation of responsibility goes to the core of an anticipation determination when, if incorporation by reference is at issue, the court must determine what material constitutes the single, prior art document. Consequently, because the instruction vitiated Kent's right to have a pivotal legal question resolved by the court, we hold that the legal error was prejudicial.

We further hold that Kent's objection would have cured the defect. In the present case, the proper jury instruction on incorporation by reference would have been no instruction at all. Thus, Kent's request that the question of incorporation by reference not be submitted to the jury would have ameliorated

the error.

Accordingly, given that Kent preserved its right to appeal the jury instruction and prejudicial legal error infected that instruction, we remand for a new trial on anticipation.

OBVIOUSNESS

Because Kent failed to make a motion for JMOL at any time during trial, we cannot weigh the sufficiency of the evidence underlying the jury's factual findings on obviousness. See Biodex, 946 F.2d at 862, 20 USPQ2d at 1261. Kent, however, preserved its right to seek relief from the verdict by making a motion for a new trial, which the magistrate judge denied. See New Idea Farm Equip. Corp. v. Sperry Corp., 916 F.2d 1561, 1565-66, 16 USPQ2d 1424, 1428 (Fed. Cir. 1990) (providing that, as an alternative to a post-verdict motion, court may grant motion for a new trial if prejudicial error occurred). This court reviews a denial of a motion for a new trial under the abuse of discretion standard. See Motorola, Inc. v. Interdigital Tech. Corp., 121 F.3d 1461, 1468, 43 USPQ2d 1481, 1486 (Fed. Cir. 1997). To that end, we must determine whether, in the conduct of the trial, an error occurred that was so egregious as to render the trial unfair. See DMI, Inc. v. Deere & Co., 802 F.2d 421, 427, 231 USPQ2d 276, 280 (Fed. Cir. 1986).

Rule 59(a) of the Federal Rules of Civil Procedure provides that a "new trial may be granted to . . . any of the parties . . . in an action in which there has been a trial by a jury, for any of the reasons for which new trials have heretofore been granted in actions at law in courts of the United States." Fed. R. Civ. P. 59(a); see Blue Diamond Co. v. Charles M. Allen & Son, Inc., 56 F.2d 1, 3 (5th Cir. 1932) (recognizing that newly discovered evidence can give rise to a right to a new trial). Kent contends that it is entitled to a new trial due to newly discovered evidence—namely, the Zhou deposition. Determining whether the newly discovered evidence warrants a new trial entails the following three-prong analysis: (1) the probability that the evidence would have changed the outcome of the trial; (2) whether the evidence could have been discovered earlier

through the moving party's due diligence; and (3) whether the evidence is merely cumulative or impeaching. See Farm Credit Bank v. Guidry, 110 F.3d 1147, 1155 (5th Cir. 1997); Diaz v. Methodist Hosp., 46 F.3d 492, 495 (5th Cir. 1995).

This court measures whether the newly discovered evidence is potentially outcome determinative by reference to our obviousness jurisprudence. A claimed invention is invalid for obviousness if the differences between it and the prior art "are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art." 35 U.S.C. § 103(a) (1994); see Graham v. John Deere Co., 383 U.S. 1, 13-14 (1966). Obviousness is ultimately a question of law that rests on underlying factual inquiries including: (1) the scope and content of the prior art; (2) the level of ordinary skill in the art; (3) the differences between the claimed invention and the prior art; and (4) objective considerations of nonobviousness. See Graham, 383 U.S. at 17-18; Robotic Vision Sys., Inc. v. View Eng'g, Inc., 189 F.3d 1370, 1376, 51 USPQ2d 1948, 1953 (Fed. Cir. 1999). Objective considerations such as failure by others to solve the problem and copying, see Graham, 383 U.S. at 17-18, "may often be the most probative and cogent evidence" of nonobviousness. Stratoflex, Inc. v. Aeroquip Corp., 713 F.2d 1530, 1538, 218 USPQ 871, 879 (Fed. Cir. 1983).

In the present case, Zhou's deposition furnishes persuasive evidence that the West patent is nonobvious by describing ADS's repeated failures to design the claimed invention. In his deposition, Zhou testified that ADS was entirely unsuccessful in developing the cholesteric visible material through independent research. Zhou also explained that ADS "tried for a long time" to build an electrical driver, but its efforts "were all not successful." Zhou further detailed how ADS's attempts to develop a polymer-free LCD met with failure and that ADS "did not know how to design" the device until it copied the claimed invention. In addition, Zhou testified that, even after gaining access to the claimed invention, ADS was

unable to design around the West patent because such a task was time consuming and "very hard."

Our case law supports Kent's view that such evidence of failed attempts by others could be determinative on the issue of obviousness. For example, in Alco Standard Corp. v. Tennessee Valley Authority, this court held that when evidence in the record fully supports a finding that others in the industry failed to solve the problem, then objective considerations "may . . . establish that an invention appearing to have been obvious in light of the prior art was not." 808 F.2d 1490, 1500-01, 1 USPQ2d 1337, 1344-45 (Fed. Cir. 1986). Similarly, in Intel Corp. v. United States International Trade Commission, we reasoned that an accused infringer's inability to develop a product made possible by the claimed invention indicated nonobviousness. 946 F.2d 821, 835, 20 USPQ2d 1161, 1173 (Fed. Cir. 1991); see also Minnesota Mining & Mfg. Co. v. Johnson & Johnson Orthopaedics, Inc., 976 F.2d 1559, 1574, 24 USPQ2d 1321, 1333-34 (Fed. Cir. 1992) (reasoning that competitors' failure to develop the patented invention suggested nonobviousness); Panduit Corp. v. Dennison Mfg. Co., 774 F.2d 1082, 1099, 227 USPQ 337, 349 (Fed. Cir. 1985) (reasoning that failure by others, including the accused infringer, to develop the claimed invention constitutes "virtually irrefutable" evidence of nonobviousness), vacated Dennison Mfg. Co. v. Panduit Corp., 475 U.S. 809 (1986) (vacating for failure to give proper deference to district court's fact finding rather than legal error).

Zhou's deposition also provides compelling evidence of nonobviousness by illustrating ADS's wholesale copying of the claimed invention. See Specialty Composites v. Cabot Corp., 845 F.2d 981, 991, 6 USPQ2d 1601, 1608 (Fed. Cir. 1988) (reasoning that an accused infringer's close copying of the "claimed invention, rather than one in the public domain, is indicative of nonobviousness"). Indeed, Zhou's deposition reveals that ADS's device was virtually an identical replica of the claimed invention. Zhou testified that the Kent and ADS

"chemistry mixture[s] and the way[s] they make the cell are the same." Underlying that comparison was Zhou's testimony that ADS developed its cholesteric visible material by copying Kent's formula. Zhou also explained that ADS built its electrical driver by disassembling Kent's prototype, photographing its features, and then using the photograph essentially as an instruction manual. The import of such copying evidence merits even greater weight in view of ADS's failure to develop independently the claimed invention. See Dow Chem. Co. v. American Cyanamid Co., 816 F.2d 617, 622, 2 USPQ2d 1350, 1355 (Fed. Cir. 1987) (reasoning that an infringer's failed attempts to develop the claimed invention followed by subsequent copying of the invention supports a holding of nonobviousness); Vandenberg v. Dairy Equip. Co., 740 F.2d 1560, 1567, 224 USPQ 195, 199 (Fed. Cir. 1984) ("The copying of an invention may constitute evidence that the invention is not an obvious one. . . . This would be particularly true where the copyist had itself attempted for a substantial length of time to design a similar device, and had failed."). Furthermore, with respect to both objective considerations, Zhou's deposition testimony constitutes highly probative evidence of nonobviousness given that after initial deliberations the jury was in equipoise on the issue of obviousness, and this newly discovered evidence could have been the tipping factor for finding the West patent to be not invalid. Thus, we find that the constellation of facts contained in the Zhou deposition presents evidence that is potentially outcome determinative on the issue of obviousness.

We also hold that Kent exercised due diligence throughout the discovery process, but it was powerless to unearth the Zhou deposition because ADS deliberately and intentionally withheld the deposition and the photograph of Kent's prototype. In its first document request, Kent required: "All documents that refer or relate to any evaluation, analysis, examination, testing, performance, or investigation of any light-

modulating reflective device comprising [cholesteric material] or any compound thereof made by KDS, the [LCI], or any third party." In its interrogatories, Kent asked ADS to

> [I]dentify each communication that ADS, or its present or former . . . employees . . . has participated in or has knowledge of that refers or relates to [Kent] or products being developed, under research, under investigation, made, sold, or offered for sale by [Kent] or to any claims asserted by any party in this lawsuit or to any allegations that ADS has made against or about [Kent]. With reference to each communication, provide . . . the identity of all documents referring or relating to the communication . . . .

Any fair reading of the document request and interrogatory, coupled with ADS's duty to supplement its disclosures and responses under Rule 26(e) of the Federal Rules of Civil Procedure, required ADS to disclose the existence of the Zhou deposition and to produce the photograph of Kent's prototype. ADS, however, effectively concealed both pieces of evidence. With regard to the deposition, ADS's counsel instructed the court reporter not to prepare a transcript and then quickly abandoned the state court suit, thereby suppressing the existence of Zhou's deposition testimony. As for the photograph, which was initially produced at the deposition, ADS characterized it as "attorney work product." As a result, by preventing Kent from examining the photograph and inquiring about how ADS came to possess it, ADS completely sealed off Kent from discovering the existence of the Zhou deposition, much less its substance. In fact, the sole reason that Kent was able to discover that Zhou possessed crucial information was through its continued diligence. Midway through trial, Kent served a trial subpoena on Mr. Kan Xu, a former ADS employee, who then advised Kent that Zhou would be a useful witness to their case. Thus,

half-way through trial and by virtue of its own effort, Kent became aware of information that ADS's counsel was obligated to disclose months earlier during the normal course of discovery. Kent, however, still could not ascertain the full scope of Zhou's knowledge because it did not receive the deposition transcript until after the jury retired to deliberate.

We further hold that Zhou's deposition testimony is not merely cumulative or impeaching. Rather, Zhou's deposition contained a significant amount of material evidence that ADS prevented Kent from presenting at trial. For example, the jury did not hear Zhou's deposition testimony about how ADS obtained Kent's cholesteric formula, used that formula to duplicate Kent's cholesteric material, and then used that material in its own device; nor did the jury hear Zhou's admission that ADS's electrical driver was essentially the same as Kent's. The jury also did not hear Zhou's statements concerning the extent of ADS's failure to develop its own device or the detailed copying of Kent's prototype. Furthermore, the jury did not hear about ADS's failure to design around the claimed invention even after it disassembled and studied Kent's prototype.

Moreover, to the extent that some overlap exists between the Zhou deposition testimony and his trial testimony, we do not find it sufficient to preclude a new trial. To find otherwise would be to prejudice the party who acts diligently and complies with the Federal Rules of Civil Procedure and to benefit the party who contravenes those rules and uses dilatory discovery tactics. Indeed, one can readily imagine a situation in which counsel conceals material evidence throughout discovery and then reveals that evidence late into the trial, thereby depriving the other party of a fair trial in the first instance as well as foreclosing the opportunity for a new trial. Such a result would be manifestly unjust.

Thus, in light of the newly discovered evidence, we remand for a new trial on the issue of obviousness.

INFRINGEMENT

As with obviousness, Kent's only viable argument to alter the non-infringement verdict is through a motion for a new trial. Because the analysis for the last two prongs of the test for a motion for a new trial is the same for obviousness and infringement, we limit our discussion to the first prong—whether the newly discovered evidence is potentially outcome determinative on the issue of infringement.

To establish infringement a party must show that the accused device contains, either literally or by equivalents, every limitation of the claimed invention. See Applied Materials, Inc. v. Advanced Semiconductor Materials Am., Inc., 98 F.3d 1563, 1574, 40 USPQ2d 1481, 1489 (Fed. Cir. 1996); Pennwalt Corp. v. Durand-Wayland, Inc., 833 F.2d 931, 934-35, 4 USPQ2d 1737, 1739-40 (Fed. Cir. 1987) (en banc). During the deposition, Zhou testified that the design of ADS's device was directly "based upon" Kent's cholesteric material formula and its electrical driver circuitry. Zhou also explained that the Kent's and ADS's "chemistry mixture[s] and the way they make the cell are the same." Zhou further testified that ADS failed to design a device that was different from the claimed invention.

Although not itself evidence of infringement, Zhou's deposition is compelling evidence relating to infringement. Zhou was one of the engineers who worked on ADS's device and possessed an intimate understanding of the similarities between ADS's device and the claimed invention. Zhou's deposition directly addresses how ADS's electrical driver circuitry was designed and implemented. That circuitry provides a waveform to change portions of the liquid crystal. The way in which ADS's device causes the liquid crystal to switch is material to the question of literal infringement because the West patent covers a particular method for stimulating the liquid crystal. In addition, the evidence of copying present in Zhou's deposition supports a claim of infringement under the doctrine of equivalents. See Graver Tank & Mfg. Co. v. Linde Air

Prods. Co., 339 U.S. 605, 612 (1950); Roton Barrier, Inc. v. Stanley Works, 79 F.3d 1112, 1126, 37 USPQ2d 1816, 1827 (Fed. Cir. 1994).

Furthermore, the impact of Zhou's deposition on the issue of infringement is not limited solely to the content of the deposition; rather, this evidence has ramifications that would have greatly changed the complexion of Kent's trial strategy. If Kent possessed this evidence before trial, it could have chosen to depose more witnesses—most notably Zhou, pursued different avenues of discovery, sought additional corroborating evidence, implemented different tactics during cross-examination, and so forth. In short, armed with the Zhou deposition at an early stage in discovery, Kent could have developed a different theory of the case and presented a more persuasive story at trial.

Accordingly, based on the newly discovered evidence, we remand for a new trial on infringement.

SANCTIONS

Following the jury verdict, Kent made a motion for sanctions against ADS's counsel, seeking sanctions in the form of new trial given ADS's suppression of the Zhou deposition and the photograph of Kent's prototype. The magistrate judge denied the motion but indicated that he was "deeply concerned" by the conduct of ADS's counsel. The magistrate judge also indicated that he would seriously consider taking disciplinary action under the local rules and imposing appropriate sanctions other than granting a new trial.

When reviewing a district court's decision on the propriety of imposing sanctions for misconduct during discovery, we apply the regional circuit's law. See Seal-Flex, Inc. v. Athletic Track & Court Constr., 172 F.3d 836, 845, 50 USPQ2d 1225, 1231 (Fed. Cir. 1999). The Fifth Circuit reviews a denial of sanctions for an abuse of discretion. See Tacon Mechanical Contractors, Inc. v. Aetna Cas. & Sur. Co., 65 F.3d 486, 489 (5th Cir. 1995). Although a district court possesses inherent

power to sanction an attorney's bad faith conduct during litigation, see Chambers v. NASCO, Inc., 501 U.S. 32, 43-46 (1991), the threshold for the imposition of such sanctions is high, see Chaves v. M/V Medina Star, 46 F.3d 153, 156 (5th Cir. 1995). Thus, the district court must make a specific finding of bad faith conduct in order to impose sanctions. See id. From the record below, it appears to this court that ADS's development of its LCD technology consisted of deceitful and conniving machinations that amounted to nothing short of corporate espionage of a competitor's valuable technology. Regretfully, the conduct of ADS's counsel in defending such actions was equally egregious. Indeed, to say that counsel's conduct during discovery raises the collective eyebrow of this court would be to understate the severity of their transgressions.

Counsel's tactics during discovery evinced a brazen disregard for the legal process. Throughout discovery, counsel's strategy consisted of efforts to obfuscate, cover-up, and subvert evidence that was properly discoverable and responsive to Kent's requests. For example, when confronted with the bleak realization that Zhou's deposition would reveal damaging information, ADS's counsel attempted to terminate the deposition. Counsel next tried to eliminate any trace of the deposition by instructing the court reporter not to make a transcript. Counsel then failed to disclose the deposition's existence during the discovery stage of the action. Counsel further failed to list Zhou as a person having knowledge of the development of ADS's LCD technology, even though he was an engineer at ADS working on the project during those years. Moreover, in what may be its most egregious discovery ploy, counsel characterized the photograph of Kent's prototype as "Attorney-Work product," even though the photograph was taken by an ADS employee years before the present litigation ensued. When asked about the justification for listing the photograph on the privilege log, ADS's counsel responded that the original photograph was photocopied by an attorney. This

court, however, is unable to find any legal principle that even remotely supports the notion that an otherwise discoverable document alchemically metamorphisizes into privileged work product simply because an attorney photocopies it.

Thus, we conclude that the suppression of the Zhou deposition and the concealment of the photograph through a spurious privilege claim, coupled with the central role that such evidence would have played at this trial, amounts to bad faith conduct on the part of ADS's counsel. In a case such as this, in which counsel deliberately and repeatedly flouts discovery requests and disregards the Federal Rules of Civil Procedure, the sanction of a new trial fits the transgression. Indeed, the acts of ADS's counsel strike at the heart of the discovery process, and they deprived Kent of its full measure of a right to a fair trial based upon all the relevant evidence. Accordingly, we reverse the magistrate judge's denial of a motion for sanctions by granting a new trial. Furthermore, we strongly encourage the magistrate judge to follow through on his desire to review very carefully the conduct of ADS's counsel and to consider, within his discretion, imposing disciplinary actions and additional sanctions beyond the granting of a new trial.

CONCLUSION

Based upon the discussion above, we vacate the judgment and remand for a new trial on the issue of anticipation because the magistrate judge's jury instruction contained prejudicial legal error. We also remand for a new trial on the issues of obviousness and infringement because of the newly discovered evidence. In addition, we also reverse the magistrate judge's ruling on sanctions by the grant of a new trial.

REVERSED-IN PART, VACATED-IN-PART, AND REMANDED.

COSTS: Costs to Kent

IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

ADVANCED DISPLAY SYSTEMS, INC.	§	
	§	
Plaintiff	§	No. 3-96-CV-1480-BD
	§	
v.	§	Consolidated With
	§	
KENT STATE UNIVERSITY, KENT DISPLAY SYSTEMS and KENT RESEARCH CORPORATION,	§	No. 3-96-CV-1608-BD
	§	
Defendants	§	

ORDER DENYING KENT'S MOTION FOR NEW TRIAL

On or about January 13, 1998, Kent Display Systems, Inc., Kent Research Corporation, and Kent State University ("Kent") filed a Motion for New Trial on the grounds: (1) that the verdict entered by the jury on December 1, 1997 was against he great weight of the evidence; and (2) that Kent was entitled to a new trial based upon newly discovered evidence. The Motion has been briefed by all the parties and a hearing was held on the Motion on August 27,1998. After considering the Motion, the response and the arguments of counsel, and after the hearing, the Court is of the opinion that the Motion should be DENIED.

IT IS, THEREFORE, ORDERED ADJUDGED AND DECREED that the Motion for New Trial be and is hereby DENIED.

Dated: September 3, 1998

/s Jeffrey Kaplan
UNITED STATES MAGISTRATE JUDGE

APPROVED AS TO FORM:

/s Kevin Nash
Kevin Nash
Attorney for ADS

/s C. Michael Clark
C. Michael Clark
Attorney for Bao Gang Wu

/s L. Dan Tucker
L. Dan Tucker
Attorney for Kent Display Systems, Inc.

/s Thomas L. Cantrell
Attorney for Kent State University
and Kent Research Corporation

IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

ADVANCED DISPLAY SYSTEMS, INC.	§	
Plaintiff	§	No. 3-96-CV-1480-BD
v.	§	Consolidated With
KENT STATE UNIVERSITY, KENT DISPLAY SYSTEMS and KENT RESEARCH CORPORATION	§	No. 3-96-CV-1608-BD
Defendants	§	

ORDER ON DEFENDANTS' MOTION FOR SANCTIONS

On January 13, 1998, Defendants Kent State University ("KSU"), Kent Display Systems, Inc., ("KDS"), and Kent Research Corporation ("KRC") filed a Motion for Sanctions seeking relief against Plaintiff Advanced Display Systems ("ADS"), Third Party Defendant Bao Gang Wu ("Wu"), Kevin C. Nash and Ling Chwang ("counsel for ADS") and Murray J. Rossini. Subsequently, the Motion was abandoned and/or withdrawn by KSU and KRC. Having considered the Motion and the memoranda and arguments of the sole remaining Movant (KDS) and following the hearing on August 27, 1998, the Court is of the opinion that the Motion should be DENIED. Therefore, it is:

ORDERED ADJUDGED AND DECREED that said MOTION be and is hereby DENIED.

September 3, 1998
DATE

/s Jeffrey Kaplan
UNITED STATES MAGISTRATE JUDGE

APPROVED AS TO FORM:

/s Kevin Nash
Kevin Nash
Attorney for ADS

/s C. Michael Clark
C. Michael Clark
Attorney for Bao Gang Wu

/s L. Dan Tucker
L. Dan Tucker
Attorney for Kent Display Systems, Inc.

/s Thomas L. Cantrell
Attorney for Kent State University
and Kent Research Corporation

IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

ADVANCED DISPLAY SYSTEMS, INC.	§	
	§	
Plaintiff	§	No. 3-96-CV-1480-BD
	§	
v.	§	Consolidated With
	§	
KENT STATE UNIVERSITY, KENT DISPLAY SYSTEMS and KENT RESEARCH CORPORATION,	§	No. 3-96-CV-1608-BD
	§	Dallas, Texas
Defendants	§	August 27, 1997

HEARING ON MOTIONS
BEFORE HON. JEFF KAPLAN
U.S. MAGISTRATE JUDGE

...

THE COURT: The Court's authority to grant a new trial is set forth in Rule 59(a) of the Federal Rules of Civil Procedure. The rule provides that a new trial may be granted "for any of the reasons for which new trials have heretofore been granted in actions at law in the courts of the United States." On such reason is the discovery of new evidence that would have affected the outcome of the trial. The movant bears the burden of proving that the new evidence clearly raise [sic, weighs] in favor of a new trial. In resolving a motion on such grounds the Court must consider whether the admission of the evidence would probably have changed the outcome of the trial, the evidence could not have been discovered earlier with due diligence, and whether the evidence is merely cumulative or impeaching, but the Court's determination whether to grant a new trial cannot be reversed except for a clear abuse of discretion. However, that discretion is not unlimited and is controlled by the factors outlined above.

Assuming for the purposes of argument that the movant has established the first two factors, although I will tell you that I'm not at all convinced that the requisite nexus between the photograph and the Victor Zhou deposition and the claims made the basis of the patent involved in this case have been established, but assuming for the purpose of argument that such is the case, the Court finds that the movants have failed to establish that this evidence is anything other than cumulative or impeaching. The fact remains that Kent was able to get the photograph into evidence in this case and have Victor Zhou testify about it. Zhou testified in relevant part that Zibi [sic,Zvi] Yaniv brought the copyrighted prototype to ADS. That Jimmy Gau [sic, Gao] told ADS employees to take a picture of the prototype while Yaniv was absent, and that ADS only learned

how to drive the display after it had knowledge of the defendant's technologies. Therefore, it appears that the Kent defendants got the relevant facts into evidence and the Zhou deposition would have been merely cumulative.

The Kent defendants claim to have been hindered by not being allowed to question Victor Zhou about these matters during discovery where the standard of relevance is less stringent and inquiry could have been more far reaching. However, the Kent defendants do not specify what questions they were prevented from asking or how the rules of evidence prevented a full exploration of the issues.

The Kent defendants further argue that they did not have time to adequately prepare for Zhou's testimony or to determine what other relevant information he had, but give the testimony elicited from Zhou on the stand, it seems that however abbreviated their preparation, the defendants were fully able to prepare for his testimony. Moreover, the Kent defendants do not specify what other relevant information was denied to them by not having access to Zhou earlier. To the Court at least, his testimony appears to have covered all the relevant knowledge he possessed.

For these reasons, the motion for new trial is denied and the Court will enter judgment on the verdict.

As far as the motion for sanctions goes, I will tell you that I am deeply concerned not only with what the allegations are in the motion, but what the evidence and the inferences from that evidence seem to suggest. I think I have a pretty good idea of what went on at the Victor Zhou deposition in the State Court proceeding. The instructions not to transcribe that deposition testimony, and the abrupt dismissal of the State Court lawsuit on the eve of this patent trial, but my unsubstantiated suspicions standing alone are not sufficient to justify the imposition of sanctions. More pragmatically, as Mr. Tucker concedes, really this is not about the imposition of monetary sanctions. This about the attempt of the defendants to obtain a new trial, and

short of granting a new trial, I doubt that any sanction would be appropriate in this case. Accordingly, the motion for sanctions is denied. However, I will admonish Mr. Nash and anyone else that was involved in this case that the Court will take under consideration whether or not appropriate sanctions that are inherent in the Court's power to impose, should be imposed in this case, and will also consider whether or not further proceedings are necessary to develop an evidentiary record to determine whether or not disciplinary action under the local rules should be taken.

I think it's clear in my mind, although again there's no evidence to support this, that the deposition of Victor Zhou was concealed from the defendants. That the photograph was disclosed in a privilege log was concealed, that there were frivolous objections made to the production of that photograph, all of which concern the Court very much, but in the final analysis the photograph itself came into evidence, and as the Court previously stated, Victor Zhou testified and the defendants had an opportunity to examine him on the stand and have failed to elicit any additional evidence that they were prevented from developing at trial, and for those reasons a new trial isn't warranted.

. . .

United States Court of Appeals
for the Federal Circuit

99-1012,-1013

ADVANCED DISPLAY SYSTEMS, INC.,
Plaintiff-Appellee,

and

BAO GANG WU,
Third Party Defendant-Appellee,

v.

KENT STATE UNIVERSITY and KENT RESEARCH CORPORATION,
Defendants/Third Party
Plaintiffs-Appellants,

and

KENT DISPLAY SYSTEMS, INC.,
Defendant/Third Party
Plaintiff-Appellant.

ORDER

United States Court of Appeals
for the Federal Circuit

ORDER

A petition for rehearing en banc having been filed by the APPELLEES, and a response thereto having been invited by the court and filed by the APPELLANTS, and the matter having first been referred as a petition for rehearing to the panel that heard the appeal, and thereafter the petition for rehearing en banc and response thereto having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

The mandate of the court will issue on August 31, 2000.

FOR THE COURT
/s Jan Hornably
Jan Hornably
Clerk

Dated: August 24, 2000

FILED
U.S. COURT OF APPEALS FOR
THE FEDERAL CIRCUIT
AUG 24 2000
JAN HORNABLY
CLERK

United States Court of Appeals
for the Federal Circuit
99-1012,-1013

ADVANCED DISPLAY SYSTEMS, INC.,
Plaintiff-Appellee,

and

BAO GANG WU,
Third Party Defendant-Appellee,

v.

KENT STATE UNIVERSITY and KENT RESEARCH CORPORATION,
Defendants/Third Party
Plaintiffs-Appellants,

and

KENT DISPLAY SYSTEMS, INC.,
Defendant/Third Party
Plaintiff-Appellant.

Judgment

ON APPEAL from the	UNITED STATES DISTRICT COURT FROM THE NORTHERN DISTRICT OF TEXAS
In CASES NO(S)	96-CV-1480 and 96-CV-1608

This CAUSE having been heard and considered, it is

ORDERED and ADJUDGED:

REVERSED-IN-PART, VACATED-IN-PART, AND REMANDED

ENTERED BY ORDER OF THE COURT

Dated: MAY 18, 2000

/s Jan Horbaly
Jan Horbaly, Clerk

IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

ADVANCED DISPLAY SYSTEMS, INC.	§	
	§	
Plaintiff	§	No. 3-96-CV-1480-BD
	§	
v.	§	Consolidated With
	§	
KENT STATE UNIVERSITY, KENT DISPLAY SYSTEMS and KENT RESEARCH CORPORATION,	§	No. 3-96-CV-1608-BD
	§	
Defendants	§	

FINAL JUDGMENT

The Court hereby renders judgment on the jury verdict of December 1, 1997. Particularly, it is rendered and decreed that:

1. Claims 1-10 of the Patent in suit (U.S. Patent No. 5,453,863, referred to as the "West Patent") are anticipated by U.S. Patent 4,097,127 (referred to as the "Haas Patent") as a whole;

2. The differences, if any, between the subject matter defined by claims 1-10 of the West Patent and the prior art are such that the subject matter

of those claims, as a whole, would have been obvious to a person having ordinary skill in the art at the time the invention was made;

3. ADS has not made, used, sold or offered to sell products/methods which infringe, either literally or under the doctrine of equivalents, claims 1-8 or 10 of the West Patent;

4. Third Party Defendant, Bao Gang Wu (referred to as "Wu") has not intentionally induced ADS to infringe claims 1-9 or 10 of the West Patent;

5. ADS infringement, if any, of the West Patent was not willful;

6. The amount of money, if paid now in cash, which would fairly and reasonably compensate Kent Display Systems, Inc. (referred to as "KDS") for damages it has suffered from any infringement of the West Patent by ADS or Wu is zero dollars; and

7. The amount of money, in now paid in cash, which would represent a reasonable royalty to KDS for the sale or use of products or methods by ADS is zero dollars.

Further, it is ORDERED and DECREED that all costs of court shall be borne, jointly and severally, by Defendants/Third Party Plaintiffs Kent State University, Kent Research Corporation and Kent Display Systems, Inc.., for which ADS and Wu shall submit a bill of costs.

Finally, it is ORDERED and DECREED that all other

remaining claims for relief which have not been previously dismissed, either legal or equitable, which are not expressly reached herein and which have been asserted by any party are hereby denied with prejudice.

Signed on this 3rd day of September, 1998

/s Jeffrey Kaplan
UNITED STATES MAGISTRATE JUDGE

APPROVED AS TO FORM:

/s Kevin Nash
Kevin Nash
Attorney for ADS

/s C. Michael Clark
C. Michael Clark
Attorney for Bao Gang Wu

/s L. Dan Tucker
L. Dan Tucker
Attorney for Kent Display Systems, Inc.

/s Thomas L. Cantrell
Attorney for Kent State University
and Kent Research Corporation

IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

ADVANCED DISPLAY SYSTEMS, INC.	§	
Plaintiff	§	No. 3-96-CV-1480-BD
v.	§	Consolidated With
KENT STATE UNIVERSITY, KENT DISPLAY SYSTEMS and KENT RESEARCH CORPORATION,	§	No. 3-96-CV-1608-BD
Defendants	§	

VERDICT FORM

We, the jury, have answered the foregoing questions and return the same as our verdict in this case.

DATED: December 1, 1997

/s Dennis Erwin
Presiding Juror

JURY QUESTIONS
(Answer All Questions)

1. Have ADS and Wu proven by clear and convincing evidence that the subject matter of claims 1-10 was anticipated by the Haas Patent as a whole ?

Check "yes" or "no" for each of the following claims:

	Yes	No
(a) Claim 1	√	
(b) Claim 2	√	
(c) Claim 3	√	
(d) Claim 4	√	
(e) Claim 5	√	
(f) Claim 6	√	
(g) Claim 7	√	
(h) Claim 8	√	
(i) Claim 9	√	
(j) Claim 10	√	

2. Have ADS and Wu proven by clear and convincing evidence that the difference, if any, between the subject matter defined by Claims 1-10 of the West Patent and the prior art are such that the subject matter of those claims, as a whole, would have been obvious to a person having ordinary skill at the time the invention was made ?

Check "yes" or "no" for each of the following claims:

	Yes	No
(a) Claim 1	√	

(b) Claim 2	√
(c) Claim 3	√
(d) Claim 4	√
(e) Claim 5	√
(f) Claim 6	√
(g) Claim 7	√
(h) Claim 8	√
(i) Claim 9	√
(j) Claim 10	√

3 Has Kent proven by a preponderance of evidence that any of the products/methods ADS has made, used, sold, or offered for sale literally infringe any of the following claims of the West Patent ?

Check "yes" or "no" for each of the following claims:

	Yes	No
(a) Claim 1		√
(b) Claim 2		√
(c) Claim 3		√
(d) Claim 4		√
(e) Claim 5		√
(f) Claim 6		√
(g) Claim 7		√
(h) Claim 8		√
(i) Claim 9		√
(j) Claim 10		√

4 Has Kent proven by a preponderance of evidence that any of the products/methods ADS has made, used, sold, or offered for sale infringed any of the following claims of the West Patent under the "doctrine of equivalents" ?

Check "yes" or "no" for each of the following claims:

	Yes	No
(a) Claim 1		√
(b) Claim 2		√
(c) Claim 3		√
(d) Claim 4		√
(e) Claim 5		√
(f) Claim 6		√
(g) Claim 7		√
(h) Claim 8		√
(i) Claim 9		√
(j) Claim 10		√

5 Has Kent proven by a preponderance of the evidence that Dr. Wu has intentionally induced ADS to infringe any of the following claims of the West Patent ?

Check "yes" or "no" for each of the following claims:

	Yes	No
(a) Claim 1		√
(b) Claim 2		√
(c) Claim 3		√
(d) Claim 4		√
(e) Claim 5		√
(f) Claim 6		√
(g) Claim 7		√
(h) Claim 8		√
(i) Claim 9		√

(j) Claim 10 ✓

6. Has Kent proven by clear and convincing evidence that ADS' infringement, if any, of the patent in suit was willful?

Answer "yes" or "no"

Answer: **NO**

7. What amount of money, if now paid in cash, would fairly and reasonably compensate KDS for the damages it has suffered from any infringement by ADS and Wu ?

Answer in dollars and cents, if any, for such damages.

$ 0

8 What amount of money, if paid now in cash, would represent a reasonable royalty to KDS for the sale or use of products or methods by ADS ?

Answer in dollars and cents, if any, for such damages.

$ 0

CLAIMS CONSTRUCTION CHART
(Adopted by District Court and Submitted to Jury)

CLAIM NUMBER/ELEMENT	INTERPRETATION
CLAIM 1	
A light modulating	is capable to displaying different optical states.
polymer free	Does not contain polymer.
reflective cell	A cell that is designed to reflect light.
comprising cell wall structure	A cell comprising two substrates of which one, at least, is transparent. "Comprising" is an open-ended transitional phrase.
and a chiral nematic liquid crystal light modulating material	Also referred to as cholesteric liquid crystal material, this element comprises a mixture of a nematic and an optically active or chiral material.
having positive dielectric anisotropy	The dielectric constant parallel to the long axes of the long rod-like molecules is greater than the dielectric constant perpendicular to the long axes. The long molecular axes of the liquid crystal molecules typically align themselves in the direction of an electric field.

and a pitch length effective to reflect light in the visible spectrum	A pitch length that is capable of displaying color.
said cell wall structure and liquid crystal cooperating to form focal conic and twisted planar textures	(a) "said cell wall structure" described above. (b) "liquid crystal" described above. (c) "cooperating to form focal conic texture"; The focal conic (or light scattering) texture may be assumed by the material when it is first placed in the cell or it may be obtained by application of an electric field pulse, as defined below. (D) "and twisted planar texture" The twisted planar (or Grandjean or light reflecting) texture may be assumed by the material when it is first placed in the cell or it may be obtained by application of an electric field pulse, as defined below.
that are stable in the absence of a field, and	"The light scattering and light reflecting states remain stable at zero field." (Col. 2, lines 34 - 35).

means for addressing said liquid crystal material,	Construed in accordance with § 112(6) to cover the corresponding structure described in the specification, i.e., Fig. 1 (and corresponding description), col. 4, lines 35-44, 52-60, col. 6, lines 47-65, namely a power supply connected to patterned electrodes, active matrixes, and multiplexing circuits, and equivalents thereof.
said means adapted to selectively establish an electric field pulse of a magnitude effective to transform at least a portion of said liquid crystal from a focal conic texture to a light reflecting twisted planar toxture [sic, texture], and	The corresponding structure described in the specification, namely a power supply connected to patterned electrodes, active matrixes, and multiplexing circuits, and equivalents thereof having the necessary hardware/software to selectively provide an "electric field pulse" with an amplitude and duration sufficient to transform some portion of the liquid crystal from a focal conic texture to a light reflecting twisted planar texture. The pulse is not limited to a specific rise or decay time.

an electric field pulse of a sufficient magnitude effective to transform at least a portion of said liquid crystal from a light reflecting twisted planar texture to a focal conic texture	The corresponding structure described in the specification, namely a power supply connected to patterned electrodes, active matrixes, and multiplexing circuits, and equivalents thereof having the necessary hardware/software to selectively provide an "electric field pulse" with an amplitude and duration sufficient to transform some portion of the liquid crystal from a focal conic texture to a light reflecting twisted planar texture. The pulse is not limited to a specific rise or decay time.
CLAIM 2	
The cell as claimed in claim 1 wherein	A cell comprising two substrates of which one, at least, is transparent. Dependent on Claim 1 and therefore includes all of the limitations of Claim 1.

the liquid crystal exhibits a stable light reflecting twisted planar structure following sudden removal of an electric field pulse effective to homeotropically align the liquid crystal, and	If an electric field pulse sufficient to homeotropically align the liquid crystal directors is maintained, the material is essentially transparent until the field is removed. When the pulse is removed quickly, the material reforms to the light reflecting planar state. The "electric field pulse" has the same meaning as in Claim 1 above, however the decay time is "sudden."
a stable light scattering focal conic texture following a removal of an electric field pulse below that which will homeotropically align the liquid crystal.	The material exhibits the focal conic texture following removal of the electric field pulse. The "electric field pulse," as defined in Claim 1 above, must be below that which will homeotropically align the liquid crystal.
CLAIM 3	
A method of addressing a light modulating material	Same construction for "light modulating" and "cell" as in Claim 1 above. "Addressing" discussed below in conjunction with "means for addressing."
comprising a chiral nematic liquid crystalline light modulating material	Same construction as in Claim 1 above.
having positive dielectric anisotropy	Same construction as in Claim 1 above.

and a pitch length effective to reflect light in the visible spectrum,	Same construction as in Claim 1 above.
cell wall structure and liquid crystal cooperating to form focal conic and twisted planar textures that are stable in the absence of a field, and	Same construction as in Claim 1 above.
means for addressing said liquid crystal material,	Construed as an apparatus limitation in accordance with § 112(6) to cover the corresponding structure described in the specification, i.e., Fig. 1 (and corresponding description), col. 4, lines 35-44, 52-60, col. 6, lines 47-65, namely a power supply connected to patterned electrodes, active matrixes, and multiplexing circuits, and equivalents thereof.

said method comprising selectively applying electric field pulses to said material of a magnitude effective to transform at least a portion of said liquid crystal from a focal conic texture to a light reflecting twisted planar texture, or to transform at least a portion of said liquid crystal from a light reflecting twisted planar texture to a focal conic texture.	Transition phrase "comprising" means that the claimed method includes the recited steps, but may include additional steps. Limitation is not construed as a step-plus-function limitation under § 112(6). In a reversible system, the method requires the selective application of an "electric field pulse" having an amplitude and duration sufficient to transform some portion of the liquid crystal material from a focal conic texture to a light reflecting twisted planar texture, or, alternatively, to transform some portion of the liquid crystal from a light reflecting twisted planar texture to a focal conic texture. The pulse is not limited to a specific rise or decay time.
CLAIM 4	
The method according to claim 3	Dependent on Claim 3 and therefore includes all limitations of Claim 3.

comprising selectively switching said material to a light reflecting twisted planar texture following the sudden removal of an electric field pulse of a magnitude sufficient to homeotropically align the liquid crystal, and	The claim additionally requires the liquid crystal exhibit the planar texture following sudden removal of a pulse sufficient to homeotropically align the liquid crystal.
a light scattering focal conic texture following removal of an electric field pulse of a magnitude below that which will homeotropically align the liquid crystal.	The claim additionally requires the liquid crystal exhibit the planar texture following sudden removal of a pulse sufficient to homeotropically align the liquid crystal.
CLAIM 5	
The method according to claim 3 comprising applying square A.C. voltage pulses.	Plain English language meaning. The pulses applied are square AC voltage pulses.
CLAIM 6	
A method of selectively adjusting the intensity of reflection of colored light	Overall, the method is directed to producing "grey scale"

from a polymer free chiral nematic liquid crystalline light modulating material having positive dielectric anisotropy and a pitch length effective to reflect light in the visible spectrum,	Terms have the same meanings as in Claim 1 above.
and cell wall structure cooperating with said liquid crystal to form focal conic and twisted planar textures that are stable in the absence of a field,	Terms have the same meanings as in Claim 1 above.
between a maximum and a minimum intensity,	Plain English language meaning.
the method comprising	Transition phrase "comprising" means that method includes, but is not limited to, the following steps.
subjecting said material to an electric field pulse of sufficient duration and voltage to cause a first proportion of said chiral nematic material to exhibit a twisted planar texture in the absence of a field and	Requires the application of an "electric field pulse" having an amplitude/voltage and duration sufficient to cause some portion of the liquid crystal to exhibit a twisted planar texture.

a second proportion of said chiral nematic material to exhibit a focal conic texture in the absence of a field,	Requires the application of an "electric field pulse" having an amplitude/voltage and duration sufficient to cause some portion of the liquid crystal to exhibit a focal conic texture. This limitation in conjunction with the preceding limitation results in a mixture of focal conic and twisted planar textures.
whereby said material will continuously reflect a selected intensity between said maximum and minimum that is proportional to the amount of said material in said focal conic and twisted planar textures in the absence of a field.	The material reflects light within the grey scale proportional to the amount of material in the focal conic and twisted planar textures, and is stable in the absence of a field.
CLAIM 7	
A light modulating polymer free device,	Terms have same construction as in Claim 1.
comprising cell wall structure,	Terms have same construction as in Claim 1.
and a chiral nematic liquid crystal light modulating material,	Terms have same construction as in Claim 1.
having positive dielectric anisotropy,	Terms have same construction as in Claim 1.

and a pitch length effective to reflect light in the visible spectrum,	Terms have same construction as in Claim 1.
said cell wall structure and liquid crystal cooperating to form focal conic and twisted planar textures that are stable in the absence of a field,	Terms have same construction as in Claim 1.
wherein a first proportion of said material exhibits a twisted planar texture in the absence of a field and second proportion of said material exhibits a focal conic texture in the absence of a field, and	"wherein a first proportion of said material exhibits a twisted planar texture" means something less than 100 percent of the material exhibits the twisted planar texture, and "second proportion" means something less than 100 percent of the material exhibits the focal conic texture.
means for establishing an electrical field through said material,	Construed in accordance with § 112(6) to cover the corresponding structure described in the specification, i.e., Fig. 1 (and corresponding description), col. 4, lines 35-44, 52-60, col. 6, lines 47-65, namely a power supply connected to patterned electrodes, active matrixes, and multiplexing circuits, and equivalents thereof.

said means adapted to provide an electric field pulse of sufficient amplitude and duration to change the proportion of said material in said twisted planar and focal conic textures, whereby the intensity of light reflected may be selectively adjusted.	The corresponding structure described in the specification, namely a power supply connected to patterned electrodes, active matrixes, and multiplexing circuits, and equivalents thereof having the necessary hardware/software to selectively provide an "electric field pulse" with an amplitude and duration sufficient to change the proportion of the liquid crystal in the twisted planar and focal conic textures thereby selectively adjusting the intensity of the light being reflected.
CLAIM 8	
The device according to claim 1 and 7 wherein	Includes the limitations of either Claims 1 or 7.
said cell wall structure is treated to align the liquid crystal	Some surface treatment beyond simply an electrode.
CLAIM 9	
The device according to claim 1 or 7 wherein	Includes the limitations of either Claims 1 or 7.
said cell wall structure is treated homeotropically align said liquid crystal.	The device employs a surface treatment that homeotropically aligns the liquid crystal.
CLAIM 10	

The device according to claim 7 wherein	Includes the limitations of Claim 7.
said means for establishing a field through said material is adapted to provide an AC pulse.	The corresponding structure described in the specification and equivalents thereof (see Claim 7 above) has the necessary components to provide an AC pulse.

IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

ADVANCED DISPLAY SYSTEMS, INC.	§	
Plaintiff	§	No. 3-96-CV-1480-BD
v.	§	Consolidated With
KENT STATE UNIVERSITY, KENT DISPLAY SYSTEMS and KENT RESEARCH CORPORATION,	§	No. 3-96-CV-1608-BD
Defendants	§	

NOTICE OF APPEAL OF KENT DISPLAY SYSTEMS, INC.

Notice is hereby given that Kent Display System, Inc. ("KDS"), defendant/third party plaintiff in the above named case, hereby appeals to the United States Court of Appeals for the Federal Circuit from: (1) the final judgment entered in this action on the 3rd day of September, 1998; (2) the order denying KDS's motion for new trial entered on this action on the 3rd day of September, 1998; and (3) the order denying KDS's motion for sanctions entered in this action on the 3rd day of September, 1998.

Respectfully Submitted

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IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

ADVANCED DISPLAY SYSTEMS, INC.	§	
Plaintiff	§	No. 3-96-CV-1480-BD
v.	§	Consolidated With
KENT STATE UNIVERSITY, KENT DISPLAY SYSTEMS and KENT RESEARCH CORPORATION,	§	No. 3-96-CV-1608-BD
Defendants	§	

NOTICE OF APPEAL OF KENT STATE UNIVERSITY AND KENT RESEARCH CORPORATION

Notice is hereby given that Kent State University and Kent Research Corporation (collectively, "Kent"), defendants/third party plaintiff in the above named case, hereby appeal to the United States Court of Appeals for the Federal Circuit from: (1) the final judgment entered in this action on the 3rd day of September, 1998; (2) the order denying Kent's motion for new trial entered on this action on the 3rd day of September, 1998.

Respectfully Submitted

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COUNSEL FOR KENT STATE UNIVERSITY AND KENT RESEARCH CORPORATION

IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

ADVANCED DISPLAY SYSTEMS, INC.	§	
Plaintiff	§	No. 3-96-CV-1480-BD
v.	§	Consolidated With
KENT STATE UNIVERSITY, KENT DISPLAY SYSTEMS and KENT RESEARCH CORPORATION,	§	No. 3-96-CV-1608-BD
Defendants	§	Dallas, Texas November 18, 1997

TRIAL ON THE MERITS
VOLUME VIII
BEFORE THE HONORABLE JEFF KAPLAN
UNITED STATES MAGISTRATE AND A JURY

(Jury present.)

THE COURT: You may be seated. Members of the jury I apologize for the long delay. Believe it or not, I just got off the bench from a hearing upstairs. That's the reason we're running about an hour late.

You may bring in your next witness, please.

MS. GEBAUER: Victor Zhou.

THE COURT: Mr. Zhou, raise your hand to be sworn, sir.

(Witness sworn by the Court.)

THE COURT: You may be seated, sir. You may proceed.

HONGXI ZHOU, Plaintiff witness, sworn

EXAMINATION

BY MS. GEBAUER:

Q Would you state your name, please.

A My real name Hongxi. My last name Zhou.

Q Do you go by the name Victor?

A Yes. They call me Victor, but it's not real.

Q I just want you to spell out your first name.

A Okay. It's H, like Henry, O-N-G-X-I

Q Is that correct?

A Yes, that's correct.

Q And your last name is --

A Z-H-O-U.

Q Is it Mr. or Dr. ?

A Mr.

Q Mr. Zhou, where do you live?

A Now?

Q Yes.

A In Dallas.

Q Can you give us your address?

A Yes It is 12920 Audelia Road, Apartment Number 268.

Q And where do you work, sir?

A Texas Instruments now.

Q Texas Instruments?

A Yes.

Q How long have you worked at Texas Instruments?

A About two years.

Q So approximately 1995?

A Yes.

Q Where did you work before Texas Instruments?

A Twin Star.

Q I'm sorry?

A Twin Star. Twin Star Semiconductors.

Q Twin Star Semiconductors?

A Yes

Q How long did you work there?

A About three months.

Q Prior to that where did you work?

A Advanced Display Systems, AD'S.

Q Is than Dr. Wu's company?

A Yes, sure.

Q What was your position at Dr. Wu's company?

A Engineer.

Q What's your educational background, Mr. Zhou?

A I have two master degree - - one is in chemical physics, the other in physical chemistry -- and I have a bachelor in physics.

Q And I interrupted you. What was your position at Advanced Display Systems?

A I'm an engineer, electro-optic engineer.

Q And how long did you work at Advanced Display Systems?

A I cannot remember exactly. About two years, two and a half or something. Two years, yes.

Q During that time, Mr. Zhou, did you have occasion to see a prototype display made by Kent Display?

A Yes.

Q Can you tell us how that happened?

A I cannon remember when -- maybe late of '93 or sometime in '94 -- Dr. Zvi Yaniv from KDS visit ADS.

Q Now, did you say the name Zvi Yaniv?

A Yes, Dr. Zvi Yaniv.

Q And who did you -- who was Dr. Yaniv?

A He was the president of KDS, if I remember right

Q And what happened when Dr. Yaniv came to visit ADS?

A He brought a demo unit for their bistability displays with a driver, electronic driver, not only tine glass piece.

Q And what did Dr. Yaniv do with that display?

A I don't know what it was his purpose, but he brought the demo unit to ADS.

Q And what happened with the demo unit at ADS?

A Dr. Zvi Yaniv was with Dr. Wu – probably went to lunch - - and Jimmy Gao, my supervisor, the manager of our R&D group, he brought the demo unit to our lab and he told us to open the cover, took a picture, and we did.

Q Did he tell you to hurry?

A Yeah. He said, hurry up, but I don't know what's the reason. But he said that.

Q The man's name that told you to do this, Mr.

Zhou, was what?

A You mean Jimmy Gao? Yeah. His first name J-I -- no – yeah -- N-M-I. The last name Gao. He was the. vice president of ADS and the manager for the R and D group.

Q He was the manager of the research and developrnent group?

A Yes, he was.

Q Was the Kent Display prototype disassembled?

A Yeah, disassembled and the picture taken.

Q Did vou bring that picture with you today?

A Yes, I have the picture here.

Q Could you show it to me, please?

MS. GEBAUER: Your Honor, I'd like to mark this as an exhibit.

THE COURT: What's the next number?

MS. GEBAUER: I don't know. Could we just mark it ?

THE COURT: I'd prefer to go in order. Does anybody have a current exhibit list?

THE WITNESS: There's a mark on the back side.

THE COURT: Hold on, Mr. Zhou.

MS. ARCENEAUX: 333 was the last exhibit.

THE COURT: 334 sounds about right

(Exhibit No. 334 marked.)

Q Mr. Zhou, I'm showing you Exhibit 334. Is that the photograph that came out of your files?

A Yeah.

Q Is that the photograph that was taken of the Kent Display prototype?

A Yes.

Q At ADS?

A Yes.

Q At the direction of Jianmi Gao ?

A Yes.

Q The director of research and development ?

A Yes.

Q Mr. Zhou, there's a – can you tell me what this photograph is of ?

A Yeah. This picture shows the driver electronics for the KDS called a bistable display but KDS called a multistable display. Basically they are same, and they use this driver to write the information on a glass piece, glass part.

Q Now, there's some indication on that driver that says KDS, doesn't it ?

A Yeah. That's KDS copyright 1993. It's here.

THE COURT: Ms. Gebauer1 that hasn't been admitted

MS. GEBAUER: I'm sorry. I'm moving to admit.

THE COURT: Any objections?

MR. NASH: No foundation has been laid to it with the cholesteric technology in this lawsuit.

THE COURT: Ms. Gebauer?

MS. GEBAUER: Mr. Zhou just testified that the bistable display of Kent Display that ADS refers this was to as their MLCD technology and that basically they're the same.

THE COURT: Why don't you ask him ~ few more questions.

BY MS. GEBAUER: Well, Mr. Zhou, Dr. Yaniv brought this prototype display?

A Yes.

Q It's the cholesteric prototype display from Kent Display?

A Yes, that's right. Basically they are cholesteric liquid crystal display between two piece of glasses.

Q And this driver was how it was addressed, is that correct?

A Yes, that's right.

Q And what was the display a picture of?

A On the KDS demo? Cannot remember that. Probably there was a K, big character K, and there were other characters. I cannot remember

Q Was it a polymer-free display?

A That I don't know, if there was polymer or no polymer. I don't know.

Q You don't know that?

A You cannot tell without doing an analysis.

Q And you didn't take out the fluid when you disassembled the cell, did you?

A No. Cannot do that

MS. GEBAUER: Your Honor, I'll move to admit that. We'll connect it up.

THE COURT: Mr. Nash?

MR. NASH: Same objection.

THE COURT: Objection is overruled.

BY MS. GEBAUER.

Q On your monitor, Mr. Zhou1 is that the KDS copyright that was on the device that was photographed?

A Yes. Yes, it is.

Q Do you see initials after there?

A Yes, like a JW. Yeah.

Q Do you know what that stands for?
A I don't know what that stand for. Don't know. I never noticed that.

Q Is this a multiplexing circuit, Mr. Zhou?

A Yes.

Q I'm sorry. What was your answer?

A Say it again.

Q Is this a multiplexing circuit?

A Yeah, multiplexing was for the microprocessor, not for the drivers. Actually, on the circuit you can change the microprocessor. That's not important. But the important thing is the two drivers, two driver chips.

Q Had ADS been able to address its displays prior to the time this photograph was taken?

A No. We did not know how to drive the display.

Q Did you learn how to do that after this photograph was taken?

A Yeah, sure.

Q Did you use this photograph to design a driver for the ADS displays ?

A Yeah. We identify the part number for the two drivers. That was 6008. You can identify the little two square chips –

Q Am I looking at the right –

A No, that's a microprocessor. That way.

Q I'll tell you what. Could you show me on the photograph ?

A Yeah. This one and this one.

Q Thank you.

A Yes, you got the right one.

Q Are there numbers on there?

A Yes, HUV6008PG. You got it upside down.

Q Okay.

A Yeah, right direction.

Q There is a number on there?

A Yeah.

Q What does the number tell you?

A That tell me the part number. With that number we can find that part on the market.

Q And there was a second one?

A Yeah.

Q Is that it ?

A Same one, same thing.

Q How many people at ADS got a copy of this photograph ?

A I only know two. One is me, the other is George Guo.

Q How do you spell that name?

A His English name George. I don't know what his Chinese name. G-E-O-R-G-E.

Q George?

A His last name G-U-O.

Q Did he work in the R and D department at Advanced Display Systems ?

A No, he did not. He worked for the equipment department, but he was an electronics engineer

in ADS.

Q Is that why he was given a copy of the photo?

A Yeah, that's why Jimmy gave him a copy also.

Q Did Jimmy give you a copy ?

A Yes, he gave me one copy, that one.

Q Exhibit 334 is the copy you received from Jimmy Gao?

A Yes.

Q Mr. Zhou, did ADS take this photograph to the University of Texas at Dallas to seek help in designing a driver?

A No. No, at that time, no.

Q Did they do it later ?

A I don't know. They took this picture, and they have George and me to design the driver at that time.

Q So you and George used the picture to design the driver?

A Right, we designed the first demo unit.

Q For ADS?

A Yes.

Q And this occurred in late 1993 or early 1994?

A I don't remember exactly time, but it may be that -- in that range.

Q Who took the photograph?

A If I remember right, that was ADS photographer, Richeng Gao.

Q That's another name?

A Yeah.

Q That is another name who was present in the room when the photograph was taken?

A Jeff Chen, Richeng Gao, me, and Jimmy Gao

Q So those are four people who work at ADS?

A Maybe more than that, but that's the only people I can remember.

Q Okay. So the folks you can remember, Mr. Zhou, is yourself - -

A Yes.

Q - - Jimmy Gao?

A Jimmy Gao, yeah.

Q Who was the third one?

A Richeng, R-I-C-H-E-N-G, Gao. Same as Jimmy's last name.

Q Are they related?

A I don't think so.

Q And who was the fourth person?

A Jeff Chen. Jeff -- he has an English name - - Chen, C-H-E-N.

Q Are all these four individuals employees of Advanced Display Systems?

A Yes.

Q At the time this photo was taken?

A Yes.

Q And at the time the display was dismantled?

A Yes.

Q Mr. Zhou, you had your deposition taken; is that correct?

A Yes.

Q And that was in a lawsuit between Advanced Display Systems and Mr. Xu; is that correct? Kan Xu.

A Kan Xu, right, U.S.A. Display under ADS.

Q And you had your deposition taken a few weeks ago; is that correct?

A Sometimes in September I got a subpoena here. I can find exact date. It's –yeah, it is August 29th. August 29th.

Q May I see the subpoena ?

A Yes.

MS. GEBAUER: May I mark the document, Your Honor?

THE COURT: May you mark the subpoena?

MS. GEBAUER: Yes.

THE COURT: Yes, you can mark the subpoena.

(Exhibit No. 336 marked)

BY MS. GEBAUER:

Q Mr. Zhou, I'm going to hand you back the subpoena. It's been marked Exhibit 335 up in the right-hand corner. Can you tell me what that document is?

A That's a subpoena between -- that's ADS Display against U S.A. Display, Kan Xu.

Q And did you receive a subpoena?

A Yeah, I receive that before the deposition, few days before that.

Q Were you actually personally served with it?

A Yeah.

Q Where was that at?

A It was in Attorney Hsueh's office. I don't remember the street number.

Q Okay.

A It's in Dallas.

Q Is there an indication in there of who was representing Advanced Display Systems ?

A There are two attorneys' name on here. One Is a Kevin Nash; one is a Murray Rossini. But in that deposition I only saw Murray Rossini.

Q Mr. Nash wasn't at the deposition? Mr. Nash –

A I did not saw him -- I did not see him.

Q Could I see that again?

A Let me find it for you.

Q I have it. Mr. Zhou, do Mr. Rossini and Mr. Nash have the same address on the subpoena ?

A Yes, they got same address on here.

Q And was your deposition taken on August 29th ?

A Yes.

MS. GEBAUER: I move to admit Exhibit 335.

THE COURT: Any objection?

MR. NASH: No, Your Honor.

THE COURT: It's admitted.

BY MS. GEBAUER:

Q At that deposition, Mr. Zhou, did you produce the photograph?

A Yes, I produced the one copy.

Q In fact, Mr. Zhou, there was a deposition exhibit number on the back of the photograph: isn't that correct?

A Yes.

Q It says Zhou Exhibit 3, doesn't it?

A Yes, that's right.

Q What happened when you produced that photograph during the deposition, Mr. Zhou ?

A I don't remember that part.

Q You don't remember ?

A I did not reproduce. Murray Rossini did that.

Q Did what ?

A Made the copy.

Q He made a copy of the photograph ?

A Yes.

Q And he gave you back the original?

A Yeah, gave me the original and this. I got a -- received one copy. I believe the other people there also received this copy.

Q Who else was there?

A U.S.A. Display's attorney. There was two attorneys there, and also the -- Murray Rossini and also the lady who take the record.

Q Like our court reporter, Mr. Zhou ?

A Yeah, yeah, court reporter, yes.

Q Mr. Zhou, when was the first time you spoke to anyone from Kent Display Systems?

A Would you say it again? I'm sorry.

Q When was the first time you spoke to any lawyer representing Kent Display Systems?

A Sometime last week. Dan Tucker called me. It was Saturday. I was at work in TI office. He called me.

Q And that was this last Saturday?

A Yes, the past Saturday.

Q So a few days ago?

A Yeah. November 15th.

Q And did you call Mr. Tucker back?

A I was at office when he called me, so I took his call.

Q So he found you there?

A Yeah, he found me. He paged me maybe later on, but I did not reply that day. I was very, very busy that day.

MS. GEBAUER: Pass the witness.

IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

ADVANCED DISPLAY SYSTEMS, INC.	§	
	§	
Plaintiff	§	No. 3-96-CV-1480-BD
	§	
v.	§	Consolidated With
	§	
KENT STATE UNIVERSITY, KENT DISPLAY SYSTEMS and KENT RESEARCH CORPORATION,	§	No. 3-96-CV-1608-BD
	§	Dallas, Texas
Defendants	§	November 18, 1997

TRIAL ON THE MERITS
VOLUME VIII
BEFORE THE HONORABLE JEFF KAPLAN
UNITED STATES MAGISTRATE AND A JURY

THE COURT: Mr. Nash

MR. NASH: Your Honor.

CROSS EXAMINATION

BY MR. NASH:

Q Mr. -- excuse me. Is it Mr. or Dr. Zhou?

A Mr. Zhou.

Q Mr. Zhou. Excuse me. You were one of the inventors – named inventors on the patent that was issued to Dr. Wu?

A Yes

...

Q Is that the patent that actually issued :0 ADS?

A I don't know. No one tell me that.

Q You never --

A After I left ADS, no one tell me anything about either the patent was issue or not.

Q But you did sign, as an inventor, didn't you, sir, a declaration in support of that patent?

A Yes. I remember Dr. Wu drove me and Jimmy Gao and others to the attorney's office and have them sign -- have us sign the paper.

. . .

Q Third page. Okay. Thank you very much. I appreciate your patience. Is that third page your signature?

A Yes, it is my signature.

Q And does it state here at the top, "I believe I'm the original, first, and sole inventor (if only one name is listed below) or an original, first, and sole inventor (if plural names listed below) of the subject which is claimed and for which a patent is sought on the invention entitled " ?

Do you see the language at the top, sir ?

A Which part ? I do not follow.

Q At the very top of the page, about three lines down.

A Three lines – "I believe I am the original, first, and sole inventor" Yeah, I see that.

Q And at the bottom of the page just above your signature, sir, it states, does it not, "I hereby declare that all statements made herein of my own knowledge are true and that all statements made on information believed"

A Yeah, I see it.

Q And when was this signed, sir ?

A On here it say in April 6, 1994.

. . .

Q When you went to work for Texas Instruments, did you give them a resume ?

A Yes, I did.

Q And did you list your employment at ADS ?

A Yes, I did.

Q Did you list any of your work on helping ADS to obtain patents while you were there , sir ?

A Yes, I did.

Q Now – and they gave you a good job there, is that correct, sir ?

A Yeah. It's good for me.

. . .

Q Now, how does – were you involved in helping Dr. Wu determine the driving waveform for the ADS patent ?

A Yeah. We discuss a lot about this, almost at that time – at that time almost every day.

Q When was that, sir ?

A We thought a lot of different waves, tying to lower the driving voltage and speed up the driving.

Q What did you ultimately – what was your ultimate determination as the best way to do it, sir ?

A You mean what kind of waveforms we use ?

Q Yes. What did you finally decide on ?

A Well, we never decide which one is best since we cannot find – we know some waveforms are very good, but we did not find the driver since the driver – that waveform requires very high voltage. We cannot find the part, find the circuit parts.

. . .

Q Do you see the words there [West Patent, Col. 4, l.36]: "The addressing means can be of any type known in the art, such as an active matrix, a multiplexing circuit, electrodes, and lasers" ?

A I cannot find the statements you are saying. Can you show me ?

Q Let's just put it up on the screen, sir. Can you see the TV screen, sir ?

A It's hard to read.

Q I'll zoom in on it a little bit.

A It's not clear here.

Q Do you see that language, sir ?

A Yeah, I see that. "The addressing means can be of any type known in the art..."

Q Such as ?

A "Such as an active matrix, multiplexing circuit, electrodes and laser."

Q It doesn't say there, does it, sir, that the addressing means has to have a particular type of circuitry, does it ?

A No.

Q Okay.

A My understanding. My understanding may not be right.

Q And in the ADS patent, it doesn't refer to any special kind of circuitry, does it?

A No. Only there –mark 16—sorry. It's only driving waveforms, not circuitry.

...

Q . . . Now, it's your testimony, sir, is it, that this [photograph] related to a Kent Display device ?

A Yeah, this picture was taken from demo units

brought by Zvi Yaniv.

Q And you don't know that demo unit was a polymer-free or a polymer-stable ?

A You cannot know that since the chemical mixture is between – sealed inside the glass.

. . .

Q Can you tell by looking at the cell whether it has a special type of cholesteric liquid crystal mixture in it ?

A You cannot tell.

. . .

Q Could you tell by looking at the cell whether or not it would have positive dielectric anisotropy? Just by looking at it.

A Would you say it again ? Sorry.

Q Whether it would have positive dielectric anisotropy.

A You cannot tell that.

Q You cannot tell ?

A No.

Q Now, let's turn to the actual picture on the screen. Looking at the picture, sir, can you tell

me, looking at that picture, what the addressing means is on the West Patent ?

A What do you mean the addressing means ? You mean the driver ?

Q No, the specific type of waveform or type of pulse that is–

A No. You cannot tell that. The driving waveform is a soft program. It's in the ROM—EPROM. See the center part, the chip in the center with the window ?

Q Yes.

A Can you see there's a ROM window ?

Q Could you –

A That's a EPROM. See the small window in the center of the screen ?

Q The little one ?

A Yeah, the big chip with a window in the center.

Q Okay.

A That is EPROM.

Q That's a ROM ?

A Yeah, that's a ROM.

Q That's what we sometimes call read-only memory?

A Yeah, it's read-only memory.

Q And that is something that has some special programming built into it ?

A Yes. You can program that.

Q You can't tell by just looking at that what that programming is ?

A No, you can never tell that.

Q Nor can you tell by taking a picture of it what the programming is, can you, sir ?

A No.

. . .

Q [Showing witness a device] Never seen that before ?

A No.

Q Are you familiar with products that ADS is presently marketing ?

A No. I have not contacted them for a long time, so I don't know.

Q How long is a long time, sir ?

A Since I – I think at least a year I did not see them.

Q And you haven't been involved in the development of product for Nokia, have you, sir?

A I know before I left they were talking about that, but at that time we were talking about using STN driver to drive this display.

MR. NASH What was the last exhibit ?

THE COURT: 336 was the last exhibit.

MR. NASH Could I mark this as 336 ?

THE COURT: The device that you just gave to the witness ? You may have it marked as 336.

BY MR. NASH:

Q Looking at that sir, do you see that has some circuitry on the back ?

A Which one ?

Q The device you are holding.

A This one ?

Q Yes.

A Yes. I see it. It's over here.

. . .

Q Okay. Now, looking at this device your holding, can you identify any of those – either of those parts on that.

A No, no.

. . . Q I'm going to put it side by side with the picture. It's your testimony, isn't it sir, that neither of the parts you identified in the picture are located anywhere on the exhibit we've just been looking at ?

A No, there's no identical parts, but I think–no identical parts.

Q No identical parts ?

A Right.

Q It's a different type of circuitry isn't it, sir ?

A Yeah, but I think the principle may be the same. There's a power supply with the big square on the driving circuit on the top.

Q Most drivers have a power supply, don't they, sir ?

A Here this one, yeah, it got a power supply also. But there's three parts on the top right below the coils, those three coils.

Q The question is: Those parts that you identified earlier, they are not on the left-hand cell, are they?

A Huh ?

Q Those parts are not on the left-hand cell ?

A No, no, but the same - - they are the power supplies. You can use a different power supplies.

Q By the way, sir, the one on the right, that's the actual size, is that correct, mor or less ?

A I don't know exactly, but in my memory it's about that size.

Q And of course, the one on the left is the actual size, because that the actual -

A Yeah, that's the actual thing.

Q Is the driver on the right-hand side sometimes called a Supertech driver ?

A Yes.

Q Are you aware that ADS was looking for a driver that could perform two different functions, one that was high-voltage and another that was low crosstalk ?

A Yeah. We - - before I left there, we were talking a lot about that, and we tried - - I suggested to

them to use the STN driver. I think they did. But for this one, I don't know when they changed to this driver.

. . .

Q Now, isn't it true, sir, that the Supertech driver in fact could not accomplish the combination of those two requirements, could it ?

A Yes, it is. Yes, they - -

Q Is it your testimony that they could ?

A Right, yeah, it could.

Q Isn't it true, sir, that it could only do a high voltage but not accomplish a low crosstalk ?

A Let me see. I forgot, I think. Maybe not.

Q Maybe not ?

A Maybe not, yeah. Maybe not.

Q And ADS uses in its products high voltage and low crosstalk, doesn't it, sir ?

A You mean this actual one, the small one ?

Q Yes.

A I don't know. I don't know what it is in here, but before this, I think they use the STN driver,

yes.

. . .

Q How did it come about that Mr. Tucker got in touch with you in this case ?

A You mean what did he talk to me ?

Q Yes.

A About the photograph.

Q He called you, sir ?

A Huh ?

Q He called you ?

A Yeah, he called me.

. . .

Q How many times have you spoken to him or anybody representing Kent Display Systems since that time ?

A Three or four times. I don't remember.

(2)

No. 00-854

Court, U.S.
FILED
JAN 29 2001
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IN THE

Supreme Court of the United States

ADVANCED DISPLAY SYSTEMS, INC.
and BAO GANG WU,

Petitioners,

v.

KENT DISPLAY SYSTEMS, INC., KENT RESEARCH CORPORATION and KENT STATE UNIVERSITY,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF IN OPPOSITION

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QUESTIONS PRESENTED FOR REVIEW

1. May a court of appeals review and reverse for an abuse of discretion a district court's denial of a motion for a new trial on the ground of newly discovered evidence, where the evidence at issue, including proof of that party's theft of its opponent's technology, was deliberately and wrongfully withheld by the verdict winner and its counsel throughout discovery in the proceedings below through both improper refusals to produce the information in response to legitimate discovery requests and a false assertion of privilege?

2. May a court of appeals review and reverse for an abuse of discretion a district court's denial of a motion for sanctions against a party and its counsel for their deliberate, wrongful concealment of highly relevant evidence, including proof of that party's theft of its opponent's technology, where the party and its counsel deliberately and wrongfully withheld that evidence throughout discovery in the proceedings below through both improper refusals to produce the information in response to legitimate discovery requests and a false assertion of privilege?

CORPORATE DISCLOSURE STATEMENT

This document is filed on behalf of a nongovernmental corporation, Respondent Kent Display Systems, Inc., located in Kent, Ohio. Kent Display Systems, Inc. has no parent corporation and no publicly traded stockholder that owns 10% or more of its stock. Also joining in this brief are Respondents Kent State University, a state entity also located in Kent, Ohio, and Kent Research Corporation, a nonprofit corporation also located in Kent, Ohio which serves as the licensing entity for Kent State University and which similarly has no parent corporation and no publicly traded stockholder that owns 10% or more of its stock.

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STATEMENT OF THE CASE

Respondents Kent State University ("KSU"), Kent Research Corporation ("KRC"), and Kent Display Systems, Inc. ("KDS") (collectively, "Kent") respectfully submit this brief in opposition to the petition for a writ of certiorari filed by Petitioner Advanced Display Systems, Inc. ("ADS").[1] The petition challenges a court of appeals' reversal of a district court's denial of two motions: one for a new trial and one for sanctions. Both motions centered on the same core of facts: the deliberate and wrongful concealment by ADS and its trial counsel – including the perpetuation of a false claim of privilege – of photographic and testamentary proof that ADS had surreptitiously obtained, dismantled, and photographed a Kent prototype and then used that information to develop its own competing devices which were the subject of the litigation. (A5-13.)[2] This misconduct was discovered midway through the trial, and the deposition transcript that proved it was produced to Kent only after ADS had already won a verdict as a result of these abuses. (A14.) The presiding Magistrate Judge of the United States District Court for the Northern District of Texas nevertheless refused to grant Kent a new trial or to impose sanctions against ADS or its counsel. (A15.) The United States Court of Appeals for the Federal Circuit reversed (A31), and ADS now seeks this Court's review and reversal of that decision.

ADS contends that, in reversing the lower court, the Federal Circuit improperly made "*de novo* findings" on appeal and

1. While the cover page of the petition refers to both ADS and its President, Bao Gang Wu, as "Petitioners," the petition itself and the Rule 12.3 notice that followed it purported to be submitted on behalf of only a single "petitioner," namely, ADS. *See* Petition at cover page, 1, and signature blocks. Regardless of whether he joined in the petition, however, Mr. Wu and ADS are referred to collectively herein as "ADS."

2. Citations to the Joint Appendix filed in the court of appeals refer to the prefix "JA" followed by the referenced page numbers (*i.e.*, "JA "). Citations to the Appendix to the petition for a writ of certiorari refer to the prefix "A" followed by the referenced page numbers (*i.e.*, "A ").

improperly exercised "its own 'inherent powers' " to impose the sanction of a new trial. Petition at 17, 28-30. As shown below, neither is true. The Federal Circuit's opinion repeatedly makes clear that it properly confined its analysis to the abuse-of-discretion standard of review prescribed by this Court and regional circuit precedent for the new trial and sanctions issues it addressed (*see*, *e.g.*, A22, A29), and its holdings were supported not by facts found independently on appeal, but by those found by the district court itself. (*See*, *e.g.*, A29-31, A38-39; JA61-62, JA65-66, JA88, JA97-98, JA1483-84.) ADS's attack on the Federal Circuit's decision thus amounts to no more than mere disagreement with its conclusions, conclusions that were properly reached, well supported, and required by both the record and the law. ADS's petition for a writ of certiorari should be denied, therefore, both because its challenge of the Federal Circuit's decision is baseless and because, in all events, it raises no important federal question or split among the circuits warranting the extreme measure of certiorari review.

I. THE INVENTION AT ISSUE

Although no patent issues are raised by the instant petition, the underlying action is one for patent infringement. The patent at issue (U.S. Patent No. 5,453,863, referred to herein as the "West Patent") is owned by Respondent KSU and licensed through its licensing arm, Respondent KRC, to Respondent KDS. The West patent relates to certain technology used in the manufacture of devices known as "liquid crystal displays" or "LCDs," which are devices used in countless electronic products (such as notebook computers, cellular phones, digital wristwatches, calculators, and pagers) to display the information and images that appear on their screens. (JA813, JA1019-21.) That technology was conceived and developed at KSU's Liquid Crystal Institute ("LCI"), a research facility that has been devoted to the study and analysis of liquid crystal materials for over thirty years. (JA431-33.) Since its inception in 1965, KSU's LCI has both undertaken self-supported research and been commissioned by various federal and state agencies, including

several branches of the armed forces, to advance the understanding of liquid crystal materials and to research potential applications for their use. (JA432-33.) The West patent represents one such advance and application.

In the LCDs of the West patent, visual images are created by the contrast between "cholesteric" liquid crystal material as it appears in one of two different states when sandwiched between the two glass or plastic walls of the display. (JA443-44, JA813-14.) For example, cholesteric materials can be made to reflect light in the visible spectrum ("visible materials") and thus appear colored when in one state and essentially transparent when in another. (JA434-35, JA448, JA455-56.) The invention of the West patent allows for such visible materials to be transformed from, and maintained in, either of these two states with the application of a brief electric pulse, a means which had been long believed ineffective for that purpose with the type of materials used. (JA431-36, JA441-44, JA454-55, JA471, JA813-14.)[3] The contrast between the material that is so placed in one state juxtaposed against the material that is so placed in the other thereby creates a visual image. (JA443-44, JA813-14.)

This advance was developed by Dr. John West, the Director of KSU's LCI, and one of his fellow researchers, Dr. Deng-Ke Yang, pursuant to research begun in early 1992. (JA1981-2005.) On May 4, 1993, Drs. West and Yang then filed an application for a patent relating to their discovery, which ultimately matured into the West patent on September 26, 1995. (JA2113-24.) As

3. In particular, the West patent teaches the use of visible materials that are free of any polymer additives and that have a positive (as opposed to negative) "dielectric anisotropy" (JA2113-24), which is a property that determines how a liquid crystal molecule behaves in response to an electric field. (JA454-55.) Prior to the invention of the West patent, it was widely believed that such "positive" materials could not be transformed from a colored to a transparent state with the application of an electric field (JA488-95, JA515-17), and that such "polymer-free" materials could not be sufficiently stabilized in those states to produce a lasting image. (JA738-39, JA1458-59, JA1629-30).

explained in the West patent, LCDs utilizing the technology disclosed and claimed therein can maintain indefinitely a full color image after an electric field is applied. (*Id.*; JA457-58, JA532, JA1019-20.) In short, with the power off, the image remains. (*Id.*) That energy-saving feature has led to the manufacture of numerous electronic products that conserve power and extend battery life, an advance which a variety of industries have long demanded. (*Id.*; JA2060-62.) Equally important, because such devices do not require the use of any obscuring polymer additives to produce a stable image, they are more effective, cheaper to make, and easier to use than their predecessors. (JA755-59, JA1458-59, JA2118.)

II. THE DEVELOPMENT OF THE ACCUSED DEVICES

Dr. Bao Gang Wu, a former KSU student and colleague of Dr. West, first formed ADS in February of 1992. (JA1407, JA1428-29.) The company operated on a part-time basis until March of 1993 as a distributor of equipment used to make low-end displays. (JA1408.) That all changed three months later, however, when ADS moved swiftly toward the development of a polymer-free LCD in mid-1993, just one month after Kent filed the patent application relating to its polymer-free device. (JA1979, JA7772-77, JA8121-22.)

When it started that project, ADS had no research facility and no ability to formulate a cholesteric liquid crystal material or a device in which to use it. (JA1408-09, JA7754, JA7776, JA7769-70, JA3026-48.) That situation was remedied by June of 1993, when its Vice President of R&D, Mr. Jiamini Gao, obtained the written formula for Kent's cholesteric liquid crystal and a polymer to use in that material. (JA7769-70, JA7772, JA7776-77.) Mr. Gao provided that information to Mr. Victor Zhou, then an ADS employee, who freely admits that it was unique and unavailable on the open market. (JA7776-77.) Mr. Zhou then used the formulas to duplicate Kent's liquid crystal in a matter of days, and ADS used that material to develop the polymer-free liquid crystal to be used in its own device. (*Id.*; JA7754, JA7770-74.)

With that piece under its belt, ADS's next hurdle was to learn how to make the device itself. (JA7773.) But again, that problem was short-lived. Soon after it obtained Kent's liquid crystal formula, ADS managed to obtain access to a Kent LCD. (JA7754-55, JA7773-74, JA1495.) That happened when Mr. Zvi Yaniv (then President of KDS) brought a cholesteric prototype during a visit to ADS. (*Id.*; JA1495, JA7775.) While Mr. Yaniv went to lunch with Dr. Wu, several employees of ADS, including Mr. Gao, removed the prototype from its box, disassembled it, photographed the parts, and used those pictures to order every component shown. (A7-12; JA7754-55, JA7773, JA7783-84.) With the benefit of that information, ADS determined precisely how to produce the electric pulse necessary to transform the cholesteric material in the Kent display. (JA7774, JA7777-78, JA7784.) As Mr. Zhou put it, that information might have taken ADS ten years to develop on its own. (JA7782.) Yet, within a month, ADS successfully duplicated the circuitry necessary to operate the Kent device. (JA7774, JA7784.)

Thus, just months after it started, ADS had successfully replicated Kent's polymer-free liquid crystal and its device. (JA8121-22.) With that bit of "corporate espionage" (A30), a virtual newcomer in the liquid crystal industry managed to take for itself a wealth of research and experience that took Kent over thirty years to build.

To make matters worse, on April 11, 1994, ADS then applied for a patent on its new polymer-free LCD, listing Dr. Wu and Messrs. Gao, Zhou, and Yao-Dong Ma as inventors. (JA2220.) For reasons that are not difficult to understand, that application bore a striking resemblance to the one that Dr. West had filed the year before. Like Dr. West, ADS insisted that a polymer-free LCD was a significant improvement over existing technology because it "not only simplifies display construction but, more importantly, improves the important physical properties of these devices," and that this development was unexpected in light of prior art teaching that the stability of

the images produced by these devices "is predicated specifically on the presence of a polymer additive to the liquid crystal mix." (JA2224-25.)[4]

As Mr. Zhou later explained, Dr. Wu was determined to pursue this application as quickly as possible, since he knew that Kent had already filed its own patent application on a polymer-free LCD, and he was concerned that a patent issued first to Kent might prevent ADS from obtaining its own patent on such a device. (JA7785.) And he was right. After the West patent issued, the examiner presiding over ADS's application rejected its claims directed solely at a polymer-free LCD as anticipated by Dr. West's work. (JA2296.) ADS was therefore relegated to a patent reciting narrower claims, which issued on April 29, 1997, and is now assigned to ADS. (JA2354-72.)

III. THE DISTRICT COURT PROCEEDINGS

Kent first learned that ADS was promoting a polymer-free LCD in early 1996. (JA3224.) While discussions between the parties regarding a potential license to ADS were ongoing, ADS filed (but did not serve) a complaint in their local forum (the Northern District of Texas) seeking a declaration of invalidity of the West patent. (JA110.) When those settlement discussions proved unsuccessful, KSU and KDS sued for infringement, and the cases were consolidated in Texas, with the Kent parties as nominal defendants and ADS and Dr. Wu as nominal plaintiffs. (JA111.) Discovery then proceeded over the next year and a half without any mention of the facts that ADS had copied Kent's

4. Of course, these arguments by ADS itself in support of its own patent application are in stark contrast to its current insistence that "such 'polymer-free technology' was anything but new." Petition at 9. Likewise, ADS's companion contention that the West patent's "combination of the described 'pulse' and a 'polymer-free' cell" was "fully disclosed and anticipated by the Haas '127 Patent" (*id.* at 10) is similarly defied by ADS's arguments to the United States Patent and Trademark Office in support of its own patent application, where ADS distinguished the foregoing Haas patent as "*not* utilizing a voltage pulse." (JA2284-85 (emphasis in original).)

liquid crystal formula and one of its prototypes. Instead, ADS and its counsel carefully hid that evidence – and that was no easy task.

A. Concealment of the Zhou Evidence by ADS and Its Counsel

While discovery was ongoing, ADS became embroiled in an unrelated state court action against several of its former employees, including its former Vice President, Mr. Kan Xu. (*See* JA7750.) That lawsuit led to a deposition of Mr. Zhou, the former ADS employee who had assisted in the misappropriation of Kent's technology. (*Id.*) The lawyers representing ADS in that action were from the same law firm representing ADS in the proceedings below, and the lead lawyer for ADS in both cases was the same – Mr. Kevin Nash. (JA1481-82.)

During that deposition, Mr. Zhou admitted that ADS had been unable to develop a cholesteric LCD until it obtained both Kent's liquid crystal formula and one of its devices. (JA7754-78.) He then explained how ADS employees had covertly disassembled that device, photographed its internal components, and used that information to order the parts and duplicate the device – all within a one-month time frame. (JA7774, JA7777-78, JA7784.) And, as proof, Mr. Zhou produced one of the photographs that ADS had taken of Kent's dismantled device, which was then marked and identified as an exhibit to the deposition. (JA7753-54.)

As this story began to unfold, ADS's counsel hastily attempted to terminate the deposition. (JA7772.) When that failed, he halted the testimony and placed a telephone call to the state court Judge demanding a protective order over its contents. (JA7778-79.) Instead of granting a protective order, however, the state judge suggested that the parties keep the deposition temporarily confidential pending a formal motion for a protective order to be filed by ADS. (JA7779-80.) But no such motion was ever filed. (JA8414-16) Instead, ADS dismissed the state court lawsuit soon after the Zhou deposition, and its counsel instructed the court reporter *not* to prepare a transcript

of that deposition. (JA1580-81, JA8415-16.) As for the last remaining piece of evidence – the photograph of Kent's dismantled LCD – ADS's counsel buried that too, listing it on a privilege log as "Attorney Work Product." (JA7632.) As a result, neither that photograph nor the deposition testimony was ever revealed to Kent before the case went to trial.

B. Discovery of ADS's Copying During Trial

The trial began on Monday, November 10, 1997. Mid-way through the first week, a witness whom Kent had subpoenaed to testify, Mr. Kan Xu, advised Kent's counsel that Mr. Zhou might have information that was relevant to the case. (JA1478-80.) Kent's attorneys then contacted Mr. Zhou over the weekend and, with just a day's notice and no discovery to determine the scope of Mr. Zhou's knowledge, Kent notified ADS that it would call Mr. Zhou as a witness and did so the next day. (*Id.*) True to form, ADS fought vigorously to keep that testimony from the jury. (*Id.*) First feigning ignorance about the photograph that ADS's counsel had previously designated as attorney work product, Mr. Nash then argued that he was "not sure" that Mr. Zhou knew any "relevant facts." (JA1481-84.) He then disputed that the photograph, Mr. Zhou's deposition in the state court action, and even Mr. Zhou's identity should have been disclosed to Kent in discovery. (*Id.*) The Magistrate Judge rejected all of these arguments and immediately acknowledged the critical relevance of the information that Mr. Zhou possessed. (JA1483-87.)

Thus, more than a week after the trial began and three months after Mr. Zhou's deposition was taken in the state court action, Mr. Zhou finally admitted in the briefest of terms what ADS's counsel had known for many months and what ADS itself had known for years – that ADS had obtained a Kent prototype and surreptitiously disassembled and photographed it. (JA1494-1503.) What remained concealed, however, was Mr. Zhou's deposition testimony admitting the following critical facts, including the manner in which ADS used that information to produce a device that was "based upon" Kent's device and

made in "the same" way, and the speed with which it did so, with nothing but the formula for Kent's liquid crystal and the photographs of a dismantled Kent prototype (A7-12):

- When it began the development of its polymer-free LCD, ADS had no research facility and was unable to make a cholesteric liquid crystal material or an LCD device (JA7754, JA7776, JA7769-70, JA3026-48);
- By June of 1993, ADS obtained the written formula for Kent's cholesteric liquid crystal and a polymer to use in that material (JA7769-70, JA7772, JA7776-77);
- ADS used that formula to duplicate Kent's cholesteric liquid crystal material within just a few days and, in turn, used that material to develop the polymer-free liquid crystal later used in its own device (*Id.*; JA7754, JA7770-74);
- A copy of the Photograph of Kent's dismantled display was given to a University of Texas at Dallas student who copied it to design driver circuitry for ADS's LCD product (JA7754);
- ADS used the photographs of Kent's dismantled prototype to order every component shown and then obtained those components, as well as the manufacturer's manuals relating to them (JA7754-55, JA7773, JA7778, JA7783-84);
- With the benefit of that information, ADS determined how to produce the voltage pulse necessary to transform the cholesteric material used in Kent's prototype (JA7774, JA7777-78, JA7784);
- Within a month of photographing Kent's dismantled prototype, ADS successfully duplicated the circuitry to run the device (JA7774. JA7784);
- ADS had tried repeatedly to design an LCD prior to obtaining Kent's formula and prototype but had failed (JA7754, JA7769-71, JA7776);

- ADS's display was "based upon" Kent's liquid crystal formula and its driver electronics (JA7774-75);
- "The chemistry mixture and the way they make the cell are the same." (JA7775);
- Access to Kent's drive circuitry was the key element that made the design of ADS's product possible, and it might have taken ADS ten years to develop that information on its own (JA7774, JA7782);
- ADS briefly attempted to find a different way of making an LCD that would avoid a conflict with Kent, but abandoned the effort as infeasible (JA7786).

Although Kent pleaded for the preparation and production of the Zhou deposition transcript while the trial was still underway, and although the Magistrate Judge had already acknowledged the criticality of the information it contained (JA1483), he nevertheless refused Kent's request, leaving the transcript beyond Kent's reach until after the case was submitted to the jury. (JA1580-82.) That refusal proved fatal to Kent's case. The jury was deadlocked a week after it began deliberations – specifically, on the issues of anticipation and obviousness. (JA1963, JA1968.) The district court nevertheless instructed the jurors to continue their discussions and attempt to overcome the impasse. (JA1969.) Two hours later, they returned a verdict finding the West patent invalid as anticipated and obvious, and not infringed. (JA1969-72.)

C. Kent's Post-Trial Motions

After the case was closed, Kent finally received the belatedly transcribed Zhou deposition from the state court action. Following the jury's verdict, Kent then promptly moved for a new trial based on that newly discovered evidence and for sanctions against ADS and its counsel for their wrongful concealment of it. (JA10226-29.)

During the hearing on those motions, the Magistrate Judge was unequivocal in acknowledging the wrongdoing perpetrated by ADS and its counsel in concealing the deposition of Mr. Zhou in the state court proceeding and the photograph marked as an exhibit during that deposition which further evidenced ADS's brazen theft of Kent's technology. Consistent with his comments during the trial (JA1483-84), the Magistrate Judge found outright that the deposition "was concealed" from Kent, that there were "instructions not to transcribe that deposition testimony," that "the photograph which was disclosed in a privilege log was concealed," "that there were frivolous objections made to the production of that photography," that ADS's counsel sought "an oral protective order from a State Court Judge to prevent the dissemination of that information," that they followed with an "abrupt dismissal of the State Court lawsuit," and that all of these actions were undertaken by ADS and its counsel "to prevent these facts from seeing the light of day." (A38-39; JA61-62, JA65-66, JA88, JA97-98.)

Nevertheless, despite that strong language, the Magistrate Judge denied both Kent's motion for a new trial and its request for sanctions. (JA4-7.) Regarding the former, the Magistrate Judge wrongly concluded that a new trial was not warranted because the evidence from Mr. Zhou's deposition transcript, which was received only after the trial was over, was merely cumulative or impeaching. (JA94-95.) Similarly, although the Magistrate Judge admitted to being "deeply concerned" over the improper actions of ADS and its counsel in concealing the Zhou evidence, he declined to impose any sanction at that time. (A38-39.) Instead, he opined that a new trial would be the most fitting sanction and left Kent to seek that relief from the court of appeals (A38-39; JA97-99), expressly reserving the question of whether other "appropriate sanctions" or "disciplinary action under the local rules" should be imposed or undertaken by the district court *sua sponte*. (*Id.*)

D. The Federal Circuit's Decision

The Federal Circuit issued its decision reversing the district court on May 18, 2000, and then denied ADS's request for rehearing *en banc* (which raised primarily the same arguments now urged in its petition for a writ of certiorari) on August 24, 2000. (*See* A41.) That reversal pertained to three holdings by the district court, only two of which are raised in ADS's petition for a writ of certiorari – namely, the Magistrate Judge's refusal to grant Kent a new trial on the ground of newly discovered evidence and his companion refusal to grant a new trial as a sanction.[5] First observing that its review of both questions was confined by an abuse-of-discretion standard (A22, A29), the Federal Circuit then went on to explain in detail why the Magistrate Judge's conclusions on both points could not stand.

Regarding Kent's motion for a new trial, the Federal Circuit carefully considered the Magistrate Judge's basis for denying that motion – that the withheld Zhou deposition transcript was "merely cumulative or impeaching" – and then demonstrated (after having summoned the full trial record from the district court) why that conclusion was wholly unsupported:

> Rather, Zhou's deposition contained a significant amount of material evidence that ADS prevented Kent from presenting at trial. For example, the jury did not hear Zhou's deposition testimony about how ADS obtained Kent's cholesteric formula, used that formula to duplicate Kent's cholesteric material, and then used that material in its own device; nor did the jury hear Zhou's admissions that ADS's electrical driver was essentially the same as Kent's. The jury

5. The Federal Circuit also reversed the Magistrate Judge's refusal to decide prior to trial an incorporation by reference issue raised in connection with ADS's anticipation defense and his improper submission of that issue to the jury and correspondingly erroneous jury instruction on that point. (A21-22.) Due to that error, the Federal Circuit held that a new trial on the issue of anticipation was required (*id.*), which ADS apparently no longer disputes.

> also did not hear Zhou's statements concerning the extent of ADS's failure to develop its own device or the detailed copying of Kent's prototype. Furthermore, the jury did not hear about ADS's failure to design around the claimed invention even after it disassembled and studied Kent's prototype.

(A15, A27.) With reference to the controlling law, the court then explained why this evidence constituted sufficient proof of both non-obviousness and infringement to have compelled a different verdict and, thus, warranted a new trial on both of those issues. (A24-25, A28-29.)

Regarding Kent's motion for sanctions, the Federal Circuit was similarly mindful of the findings made by the Magistrate Judge; indeed the two were in complete agreement. Just as the Magistrate Judge had found, the Federal Circuit similarly observed that ADS had wrongly refused to disclose the Zhou deposition and related photograph in response to Kent's discovery requests and that it improperly concealed that evidence with an instruction not to transcribe the deposition, a hurried dismissal of the case in which it had been taken, and a false claim of privilege with respect to the photograph:

> Any fair reading of the document request and interrogatory, coupled with ADS's duty to supplement its disclosures and responses under Rule 26(e) of the Federal Rules of Civil Procedure, required ADS to disclose the existence of the Zhou deposition and to produce the photograph of Kent's prototype. ADS, however, effectively concealed both pieces of evidence. With regard to the deposition, ADS's counsel instructed the court reporter not to prepare a transcript and then quickly abandoned the state court suit, thereby suppressing the existence of Zhou's deposition testimony. As for the photograph, which was initially produced at the deposition, ADS characterized it as "attorney work product." As a result, by preventing Kent from

> examining the photograph and inquiring about how ADS came to possess it, ADS completely sealed off Kent from discovering the existence of the Zhou deposition, much less its substance.

(A26.)

Thus, the Federal Circuit and the district court were very much on the same page regarding ADS's wrongdoing. The only difference between the two was the Federal Circuit's willingness to apply the sanction that the Magistrate Judge found appropriate but mistakenly left up to the court of appeals – a new trial. (*See* A38-39.) Thus, in keeping with this Court's opinions and the controlling Fifth Circuit precedent, the Federal Circuit correctly held that "the sanction of a new trial fits the transgression." (A31.)[6] It then "strongly encourage[d] the magistrate judge to follow through on his desire to review very carefully the conduct of ADS's counsel and to consider, within his discretion, imposing disciplinary actions and additional sanctions beyond the granting of a new trial." (A31.)

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6. *See, e.g., National Hockey League v. Metropolitan Hockey Club, Inc.*, 427 U.S. 639, 643 (1976) ("the most severe in the spectrum of sanctions provided by statute or rule must be available to the district court in appropriate cases, not merely to penalize those whose conduct may be deemed to warrant such a sanction, but to deter those who might be tempted to such conduct in the absence of such a deterrent"; reversing court of appeals and "concluding that the extreme sanction of dismissal was appropriate in this case by reason of respondents' 'flagrant bad faith' and their counsel's 'callous disregard' of their responsibilities"); *Chambers v. NASCO, Inc.*, 501 U.S. 32, 44-49 (1991) ("the inherent power also allows a federal court to vacate its own judgment" or order "outright dismissal of a lawsuit") (citing *Roadway Express, Inc. v. Piper*, 447 U.S. 752, 764 (1980)); *Chilcutt v. United States*, 4 F.3d 1313, 1321-23 (5th Cir. 1993) (intentional withholding of documents and other misconduct, for which district court "seriously considered" disciplinary action, justified the imposition of sanctions, including extreme sanction of dismissal or default) (citing *National Hockey League*).

REASONS FOR DENYING THE WRIT

ADS's challenge to the Federal Circuit's reversal on the newly discovered evidence issue is three-fold. First, purporting to rely upon this Court's decision in *United States v. Johnson*, 327 U.S. 106 (1946), ADS argues that a district court's denial of a new trial on that ground is, for all practical purposes, "not reviewable," reasoning that the findings made by a district court when denying such a motion – such as whether the evidence at issue was newly discovered or more than merely cumulative or impeaching – "*themselves are not reviewable*." Petition at 15-16 (emphasis in original). The law is otherwise. *Johnson*, as well as other opinions of this Court, make clear that a district court's assessment of evidence is fully reviewable under an abuse of discretion standard, as is the denial of a motion for a new trial itself. The Federal Circuit having expressly confined its analysis to that standard (A22), it acted well within its authority.

Second, ADS argues that, notwithstanding the Federal Circuit's explicit adherence to the correct standard, it nevertheless invoked "an improper *de novo* review of the District Court's findings" and then "arrived at" its own contrary "*de novo* findings" that the Zhou evidence was both "newly discovered" and "potentially outcome determinative," in purported violation of the Seventh Amendment's Reexamination Clause and this Court's opinion in *Gasperini v. Center for Humanities, Inc.*, 518 U.S. 415 (1996). Petition at 14-17, 20-21. Again, neither is true. On the contrary, the Magistrate Judge himself concluded that the Zhou deposition had been improperly "concealed" by ADS and was thus "new evidence" to Kent. (*See* A37-39; JA94-98 and note 12 *infra*.) Likewise, regarding the Federal Circuit's assessment that such evidence likely would have changed the outcome of the trial, the Magistrate Judge made no contrary finding and instead *assumed* that proposition for purposes of his analysis. (A37.) Thus, far from "supplanting" the district court's findings (Petition at 19), the Federal Circuit's opinion was amply supported by them.

Third, ADS argues that, in determining that such new evidence warranted a new trial on the issues of both obviousness and infringement, the Federal Circuit applied the wrong test for determining a movant's right to such relief. Again, not so. The Federal Circuit's opinion made a point of reciting and applying *verbatim* the correct test for a new trial on the ground of newly discovered evidence required under the controlling Fifth Circuit law. (A22) Indeed, even ADS has not suggested that the test recited by the court was incorrect. The Federal Circuit then correctly determined, adhering to the appropriate standard of review and with careful attention to the record and the controlling law on both obviousness and infringement, that the evidence concealed by ADS was so "compelling" on both issues that it was "potentially outcome determinative" *by itself.* (A23-29.) And, while ADS now goes to great lengths to cast doubt on that conclusion, it had no trouble seeing how "very crucial" that evidence was when it was fighting so vigorously to hide it from Kent in the first place. (*See* JA7778 and note 16 *infra.*)

Finally, ADS attacks the Federal Circuit's reversal on the sanctions issue on two grounds. It contends that the court improperly rendered "*its own de novo finding of bad faith conduct*" (purportedly "one that the District Court had refused to make") and then "*imposed its own sanctions* based on that 'finding.' " Petition at 28 (emphasis in original). Again, neither is true. The Federal Circuit's conclusion that ADS and its counsel had engaged in bad faith conduct relied explicitly on facts that the Magistrate Judge himself had found, *i.e.,* that they had wrongly "concealed" critical evidence from Kent through, among other devices, a spurious claim of privilege. (A31, A39.) And, contrary to ADS's contention, the Federal Circuit's correct conclusion that sanctions *should have been imposed* by the Magistrate Judge was not an exercise of "*its own* 'inherent powers' " (Petition at 30 (emphasis added)), but, rather, a well supported ruling that the Magistrate Judge had abused his discretion by refusing to exercise *his.* (A29-31.)

ARGUMENT

I. THE FEDERAL CIRCUIT PROPERLY REVERSED THE DISTRICT COURT'S DENIAL OF KENT'S MOTION FOR A NEW TRIAL.

A. Denial of a New Trial May be Reviewed for Abuse of Discretion.

ADS's "reviewability" challenge to the Federal Circuit's reversal on the newly discovered evidence issue hinges on a misreading of this Court's opinion in *United States v. Johnson*. According to ADS, *Johnson* effectively precludes a court of appeals from reviewing for abuse of discretion the denial of a new trial based on newly discovered evidence, because the underlying findings made by a district court when denying such a motion are themselves "*not reviewable*." Petition at 15-16 (emphasis in original). But both *Johnson* and its progeny are otherwise.

As this Court itself explained in *Johnson*, that case turned on the unremarkable proposition that "evidence which is 'merely cumulative or impeaching' is not, according to the often-repeated statement of the courts, an adequate basis for the grant of a new trial." *Mesarosh v. United States*, 352 U.S. 1, 9 (1956).[7] That holding in no way undermined a court of appeals' authority

7. While relying heavily on *Johnson*, ADS is conspicuously quiet about its facts. As this Court later noted in *Mesarosh*, *Johnson* was a less than atypical case in which a criminal defendant presented "untruthful statements by a Government witness subsequent to the trial" and then argued that his conviction was based on perjured testimony. *Mesarosh*, 352 U.S. at 9. The district court found no perjury, the court of appeals disagreed, and (after a third certiorari petition) this Court reversed. In so doing, however, it held only that the district court's credibility determination was well supported and, therefore, should not have been rejected on appeal. *Johnson*, 327 U.S. at 112-13. Thus, *Johnson* acknowledged merely the deference accorded a trial court's credibility determinations and the inappropriateness of granting a new trial to a criminal defendant who raises *solely* a credibility issue. That is a far cry from this case, where the evidence at issue was so devastating that ADS went so far as to conceal it with a false claim of privilege.

to review for abuse of discretion the denial of a new trial on the ground of newly discovered evidence. On the contrary, the *Johnson* Court noted with approval the court of appeals' treatment of the first appeal in that case, in which it reviewed that very issue to determine "whether the trial judge had abused his discretion." *Id.*, 327 U.S. at 109, 113. If anything, therefore, *Johnson* confirms the propriety of such review.

Later opinions of this Court are to the same effect. In *Mesarosh*, for example, the Court cited with approval a string of circuit court decisions in which denials of motions for a new trial on the ground of newly discovered evidence were reviewed for abuse of discretion. *Mesarosh*, 352 U.S. at 9, 13 and n.4. It then granted that very relief on appeal, without first remanding the issue to the district court because any contrary decision by the lower court would have been "unreasonable." *Id.* Seven years later, in *Shotwell Mfg. Co. v. United States*, 371 U.S. 341, 355-57 (1963), the Court itself applied an "abuse of discretion" standard to review the denial of "what in effect was a motion for a new trial on newly discovered evidence." And just recently, in *Gasperini*, the Court acknowledged that abuse-of-discretion review of a denied request for a new trial under Rule 59 is "a control necessary and proper to the fair administration of justice." *Gasperini*, 518 U.S. at 435. The applicability of that standard of review to the new trial issue raised in this case is therefore beyond dispute.[8]

Similarly unavailing is ADS's companion contention that, when engaging in such review, the Federal Circuit was

8. Indeed, until the Federal Circuit issued its decision on May 18, 2000, that issue *was* undisputed in this case. Citing *Gasperini*, ADS conceded that the Magistrate Judge's refusal to set aside the jury's verdict and his refusal to grant a new trial due to newly discovered evidence "may be reviewed for 'abuse of discretion.' " *See* Brief of Appellees 17-18, filed in the Federal Circuit on May 24, 1999. Having made that concession, ADS waived the point and is thus now precluded from asserting it as a ground for reversing the Federal Circuit. *See Pentax Corp. v. Robison*, 135 F.3d 760, 762 (Fed. Cir. 1998) (citing *Wells v. Rushing*, 760 F.2d 660, 661 (5th Cir. 1985)).

nevertheless constrained to accept the lower court's assessment of the newly discovered evidence at issue and, thus, affirm its ultimate denial of a new trial in view of that evidence. This Court has long recognized that courts of appeals are fully empowered to review for abuse of discretion a trial court's evidentiary rulings. *See, e.g., General Electric Co. v. Joiner*, 522 U.S. 136, 141 (1997) (citing cases). Indeed, the Court's "cases on the subject go back as far as *Spring Co. v. Edgar*, 99 U.S. 645, 658, 25 L. Ed. 487 (1879)." *Joiner*, 522 U.S. at 141-42.

Thus, contrary to ADS's assertion that "federal appellate courts have no right to assess the weight, persuasiveness, or credibility of evidence presented to a jury, and to use those determinations as a means to set aside jury verdicts" (Petition at 22-23), this Court has plainly held otherwise. *See Weisgram v. Marley Co.*, 528 U.S. 440 (2000). In *Weisgram*, for example, the Court affirmed not merely a court of appeals' rejection of a trial court's evidentiary ruling, but also the appellate court's determination that the verdict, in light of all other evidence presented, would have lacked the necessary proof to support it had the trial judge ruled correctly regarding the disputed evidence. *Id.* (affirming court of appeals' reversal of district court's evidentiary ruling, vacation of judgment, and entry of judgment for appellant).[9] Accordingly, contrary to ADS's unsupported contentions, the Federal Circuit was fully empowered to review for abuse of discretion *both* the Magistrate Judge's erroneous conclusion that the concealed Zhou deposition was merely cumulative or impeaching *and* whether that evidence likely would have changed the outcome of the

9. Indeed, this Court has further held that a district court's reasoning regarding the newly discovered evidence factors is itself unnecessary (and that remand for such consideration would therefore be "futile") where, as here, the record is sufficiently developed to allow an appellate court's independent resolution of the issue. *Mesarosh*, 352 U.S. at 13. *See also Devices for Med., Inc. v. Boehl*, 822 F.2d 1062, 1068 and n.6 (Fed. Cir. 1987); *Seattle Box Co. v. Industrial Crating and Packing Inc.*, 756 F.2d 1574, 1578 (Fed. Cir. 1985).

trial had it been properly disclosed to Kent in time to introduce it.

B. The Federal Circuit Properly Adhered to an Abuse of Discretion Standard.

ADS next contends that the Federal Circuit improperly departed from the abuse-of-discretion standard required by this Court's opinions in *Johnson* and *Gasperini*. According to ADS, "the Federal Circuit's analysis began with the simply astounding proposition that the court's job was one of measuring whether the newly discovered evidence is potentially outcome determinative." Petition at 17. In fact, the Federal Circuit's analysis *began* by stating correctly that it "reviews a denial of a motion for a new trial under the abuse of discretion standard." (A22.) ADS's accusation that "the Federal Circuit did not apply the 'abuse of discretion' standard posited in *Johnson*," is thus defied by the plain language of its decision. But, as importantly, the Federal Circuit's subsequent recitation and consideration of the test required of district courts to determine whether newly discovered evidence warrants a new trial (A22) signals no departure from an abuse-of-discretion standard of review. On the contrary, consideration of that test by the Federal Circuit was essential.

The question presented to an appellate court when reviewing the denial of a new trial in view of newly discovered evidence is whether the lower court's decision was "sufficiently unwarranted as to amount to an abuse of discretion." *Government Fin. Serv. One Ltd. Partnership v. Peyton Place, Inc.*, 62 F.3d 767, 770 (5th Cir. 1995). An abuse of discretion occurs when a district court makes a "clearly erroneous assessment of the evidence," bases its decision on an "erroneous view of the law," or commits a "clear error of judgment."[10] Thus, in order to determine whether the district court's denial of a new trial was "sufficiently unwarranted" in this case, the Federal Circuit was required to test the lower court's "assessment

10. *Cooter & Gell v. Hartmarx Corp.*, 496 U.S. 384, 406 (1990); *Kennedy v. Texas Util.*, 179 F.3d 258, 265 (5th Cir. 1999); *Kearns v. Chrysler Corp.*, 32 F.3d 1541, 1545 (Fed. Cir. 1994).

of the evidence," its "view of the law" applicable to that evidence, and its ultimate "judgment" to deny relief. *See* cases cited at note 10 *supra*. That analysis necessarily entails consideration of the test the district court was required to apply. Indeed, this Court has itself acknowledged the importance of such an independent analysis by a court of appeals.[11]

ADS nevertheless insists that the Federal Circuit had no authority to reverse the lower court's conclusion under that test, because it rejected none of the lower court's findings as "wholly unsupported." Petition at 16. That criticism is without substance, however, since the court's adherence to an abuse-of-discretion standard regarding the district court's ultimate conclusion necessarily implies adherence to the correct standard for reviewing its factual findings, *i.e.*, whether they were "clearly erroneous." *See Cooter & Gell*, 496 U.S. at 401. But, as importantly, as explained above, the Federal Circuit's decision was quite harmonious with the findings of the district court.[12]

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11. *See Kyles v. Whitley*, 514 U.S. 419, 440-41 (1995) (criticizing unclear materiality discussion); *Johnson*, 327 U.S. at 106 n.4 (noting with approval court of appeals' reliance upon "the frequently quoted and followed rule announced in *Berry v. Georgia*") (citing *Berry v. Georgia*, 10 Ga. 511 (1851)); *United States v. Freeman*, 77 F.3d 812, 816-17 (5th Cir. 1996) ("The Fifth Circuit applies the 'Berry' rule").

12. As noted above, immediately upon learning of Mr. Zhou, the Magistrate Judge acknowledged that the photograph produced in his deposition demonstrating ADS's theft of Kent's technology should have been disclosed to Kent in discovery. (JA1483-84.) He then went on to find that the deposition "was concealed" from Kent, that there were "instructions not to transcribe that deposition testimony," that "the photograph which was disclosed in a privilege log was concealed," "that there were frivolous objections made to the production of that photography," that ADS's counsel sought "an oral protective order from a State Court Judge to prevent the dissemination of that information" followed by an "abrupt dismissal of the State Court lawsuit," and that all of these actions were undertaken by ADS and its counsel "to prevent these facts from seeing the light of day." (JA61-62, JA65-66, JA88, JA97-98.) Each of these findings is highly supportive of the Federal Circuit's reversal on the new trial and sanctions issues.

Rather, it was the *conclusion* of the lower court in view of those facts which the Federal Circuit properly reviewed and reversed as "sufficiently unwarranted as to amount to an abuse of discretion." *See Peyton Place*, 62 F.3d at 770.

C. The Federal Circuit Considered the Correct Test for a New Trial.

Lastly, ADS argues that the Federal Circuit misapplied the three-part test for determining whether Kent was entitled to a new trial, both by making purportedly unsupported "*de novo* findings" and by applying the wrong analytical framework to those new-found facts. Petition at 17. Again, neither is true.

For example, ADS begins this attack by asserting that "the Federal Circuit's analysis assumed at its very outset – without any explanation or discussion of the matter – that the Zhou deposition transcript did in fact constitute 'newly discovered' evidence." *Id.* at 16. But, in fact, the Federal Circuit devoted more than a full page to that issue and ultimately concluded correctly that "Kent exercised due diligence throughout the discovery process, but it was powerless to unearth the Zhou deposition because ADS deliberately and intentionally withheld the deposition and the photograph of Kent's prototype." (A25-27.) ADS's attempt to characterize that conclusion as lacking "any explanation or discussion of the matter" thus disregards a substantial portion of the Federal Circuit's opinion. As importantly, that conclusion was not contrary to the Magistrate Judge's findings and, instead, was fully supported by them. Indeed, the Magistrate Judge stated outright that the Zhou deposition was "new evidence" (JA95),[13] that the photograph of Kent's dismantled prototype produced and marked during that deposition should have been disclosed in

13. ADS's purported reproduction of the district court's ruling from the bench denying Kent's motion for a new trial incorrectly omits the word "new" from the Magistrate Judge's language. (*Compare* A37 *with* Original Hearing Transcript at JA95 of the Joint Appendix submitted to the Federal Circuit (referring to "this *new* evidence") (emphasis added).)

discovery, and that the photograph and deposition were "concealed" from Kent through various improper devices. *See* note 12 *supra*. Thus, the Federal Circuit's holding that the same evidence was "newly discovered" was compelled by both the record *and* the findings of the district court.

Similarly disingenuous is ADS's challenge to the Federal Circuit's holding that the Zhou deposition was not merely cumulative or impeaching. ADS complains that the court should have left the Magistrate Judge's contrary conclusion undisturbed because certain of the "areas" addressed in those portions of the Zhou deposition which the Federal Circuit correctly identified as new and non-cumulative were purportedly touched upon in Mr. Zhou's far from complete trial testimony and the testimony of ADS's President, Dr. Wu. Petition at 24. In other words, ADS would have Kent settle for the testimony of its President *denying* any wrongdoing when there was *complete* testimony by a former ADS engineer *admitting* it. Needless to say, Kent disagrees. *See Compass Tech., Inc. v. Tseng Labs, Inc.*, 71 F.3d 1125, 1130-31 (3d Cir. 1995) ("it is plainly different in both degree and kind to have such testimony emanating from the sole representative of" the adverse party).

But, as importantly, ADS's argument ignores the many facts recited by the Federal Circuit that were *not* covered at trial, including (1) "*how* ADS obtained Kent's cholesteric formula," (2) how it "*used* that formula to duplicate Kent's cholesteric material," (3) how it "then used that material *in its own device*," (4) how "ADS's electrical driver was *essentially the same as Kent's*," (5) "*the extent of ADS's failure* to develop its own device," (6) "the *detailed* copying of Kent's prototype," and (7) "ADS's failure to design around the claimed invention *even after it disassembled and studied Kent's prototype*." (A27 (emphasis added).)[14] Given the criticality of this testimony

14. ADS's criticism that "Kent's counsel did not (for reasons unknown) cover" these matters "in her trial examination" (Petition at 21) is an unfathomable insult. The reasons are far from "unknown," (Cont'd)

and the witness who gave it (an ADS engineer who was centrally involved in the development of its technology), the Federal Circuit was compelled to reject the trial court's mistaken assessment that the Zhou deposition was "merely cumulative." *See Compass Tech.*, 71 F.3d at 1130-31 (rejecting as "unacceptable" a trial court's assessment that proposed testimony was "merely cumulative").

Finally, ADS nitpicks at the Federal Circuit's analysis regarding the probability that this evidence would have changed the jury's verdict. It argues that the court applied the wrong standard and incorrectly determined only that the contents of the Zhou deposition "potentially" (rather than "probably") would have changed the outcome of the case. Petition at 20. That too is a mischaracterization. The Federal Circuit's analysis of this issue *began* by observing that Kent's entitlement to a new trial depended upon "the *probability* that the evidence would have changed the outcome of the trial." (A22 (emphasis added).) It then correctly concluded, under that standard and the controlling case law, that the Zhou deposition satisfied that test.

Regarding obviousness, the Federal Circuit held that the Zhou deposition "provides compelling evidence" of ADS's "wholesale copying," its "repeated failures to design the claimed invention," and its inability "to design around the West patent" (even after gaining access to Kent's technology). (A23-25.) Such "*virtually irrefutable* evidence of nonobviousness," the court noted, "may often be the most probative and cogent

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(Cont'd)
and least of all to ADS. Although Kent requested immediate production of the Zhou deposition (which ADS had prevented from being transcribed), the Magistrate Judge refused to order its preparation and delivery to Kent before the trial would be completed. (JA1580-82.) Had ADS not conspired so carefully to keep that deposition from Kent (indeed, to keep it even from being transcribed), Kent's counsel would have had the opportunity to discover these facts and could have covered them in her trial examination. Indeed, that was the Federal Circuit's point. (*See* A26: "ADS completely sealed off Kent from discovering the existence of the Zhou deposition, much less its substance.")

evidence" available and, therefore, may "*establish* that an invention appearing to have been obvious in light of the prior art was not." (*Id.* at 23-24 (emphasis added".) Thus, the court correctly observed that the Zhou deposition *standing alone* was "potentially outcome determinative" on the issue of obviousness. (*Id.*) That such powerful evidence in combination with all of the other evidence of nonobviousness would probably have changed the verdict in this case – particularly before a jury that was initially unconvinced of the obviousness challenge – is true *a fortiori*.[15]

The Federal Circuit reached the same conclusion regarding infringement. Noting that "Zhou was one of the engineers who worked on ADS's device and possessed an intimate understanding of the similarities between ADS's device and the claimed invention," the court carefully weighed his admissions that ADS's device was "based upon" Kent's formula and circuitry, that the chemistry and way both parties' devices are made "are the same," and that "ADS failed to design a device that was different from the claimed invention." (A28.) It then held correctly that "Zhou's deposition was compelling evidence relating to infringement," both literal and by equivalents,

15. Searching for an issue of constitutional import, ADS argues that the Federal Circuit's consideration of this evidence resulted in an impermissible "reexamination" of the facts tried to the jury in violation of the Seventh Amendment. Petition at 20-21, 23. But there can be no "reexamination" of facts that were not tried in the first place. (*Id.* at 4-5) Here, the evidence at issue demonstrates facts that were never presented to the jury below. As importantly, while the Seventh Amendment might preclude a reviewing court from "reexamining facts" tried to a jury, it imposes no restriction on a trial court's review of such findings under appropriate standards; nor does it prohibit a court of appeals from reviewing for abuse of discretion a trial court's refusal to set aside a verdict. *See Gasperini*, 518 U.S. at 432-35. Thus, the issue properly presented to (and decided by) the Federal Circuit was not whether this new evidence disproved facts tried to a jury, but, rather, whether the trial court abused its discretion in refusing a new trial in which the jury could hear it. As this Court held in *Gasperini*, such review is fully "reconcilable with the Seventh Amendment." *Id.* at 435.

warranting a new trial. (*Id.* at 28-29.) ADS nevertheless strains to suggest that the court's language on this point somehow suggests that the Zhou deposition was "not itself relevant" to infringement. Petition at 18, 24. Not so. On the contrary, the Federal Circuit held expressly that Zhou's deposition testimony goes to the heart of infringement because it "directly addresses" the "way in which ADS's device causes the liquid crystal to switch," and "the West patent covers a particular method for stimulating the liquid crystal." (A28.) That holding is likewise irrefutable.[16]

II. THE FEDERAL CIRCUIT PROPERLY REVERSED THE DISTRICT COURT'S REFUSAL TO IMPOSE SANCTIONS.

ADS's challenge to the Federal Circuit's reversal on the denial of sanctions is similarly built on mischaracterizations. It argues that the court improperly rendered "*its own de novo finding of bad faith conduct*" – a finding that the Magistrate Judge had purportedly "*refused* to make" – and then "*imposed its own sanctions*" pursuant to "its own 'inherent powers'" in order to "shore up its decision to grant Kent a new trial." Petition at 28-30 (emphasis in original). But, again, neither is true. In fact, the Court *began* its analysis of this issue by acknowledging its

16 In making this assertion, ADS apparently refers to the Federal Circuit's observation that the Zhou deposition is "not itself evidence *of* infringement," but is nevertheless "compelling evidence relating to infringement." (A28 (emphasis added).) But that subtle distinction hardly represents a conclusion by the Federal Circuit that the deposition is "not itself relevant" to the issue. *See* Petition at 18, 24. In fact, quite the opposite. By drawing that distinction the court merely acknowledged the difference between direct and circumstantial evidence. It is hornbook law, however, that circumstantial evidence "is not only sufficient, but may also be more certain, satisfying and persuasive than direct evidence." *Moleculon Research Corp. v. CBS, Inc.*, 793 F.2d 1261, 1272 (Fed. Cir. 1986) (infringement may be proved circumstantially). ADS's counsel made that very point when he begged a state court judge for a protective order to seal off the Zhou deposition because it "*allegedly shows*" that ADS "*violated patents*" and was therefore "*very crucial*" evidence in this case. (JA7778 (emphasis added).)

adherence to "an abuse of discretion" standard of review. (A29.) It then properly reviewed and reversed the Magistrate Judge's refusal to impose sanctions in this case within the confines of that standard.

As the Federal Circuit held, ADS's development of its LCD technology "amounted to nothing short of corporate espionage," and its "counsel's strategy consisted of efforts to obfuscate, cover-up, and subvert evidence that was properly discoverable and responsive to Kent's requests." (A30.) These conclusions followed perfectly from the Magistrate Judge's assessment. In fact, he too acknowledged that the photograph of Kent's dismantled prototype which surely would have unearthed the Zhou deposition should have been disclosed in discovery, that both the photograph and deposition were "concealed" from Kent, and that ADS and its counsel had taken extreme measures – including "instructions not to transcribe" the deposition, "frivolous objections," burying the photograph on a "privilege log," a trumped-up request for a protective order "to prevent the dissemination of that information," and an "abrupt dismissal of the State Court lawsuit" – all "to prevent these facts from seeing the light of day." (JA61-62, JA65-66, JA88, JA97-98.) Contrary to ADS's assertion, these findings more than satisfied any requirement of a "bad faith" finding by the lower court. *See Chilcutt*, 4 F.3d at 1321-23 (intentional withholding of documents and other misconduct, for which district court "seriously considered" disciplinary action, thus satisfied any bad faith requirement for imposition of sanctions, including extreme sanction of dismissal or default).

Nevertheless, despite being "deeply concerned" about this misconduct, the Magistrate Judge simply took "under consideration whether or not appropriate sanctions" should later be imposed, denied Kent's Motion for Sanctions, and left Kent without redress for the manifest injustice it had suffered. (JA97.) That inaction was an abuse of discretion for two reasons. First, as both this Court and the Fifth Circuit have recognized, once a district court acknowledges such extreme misconduct as the

knowing concealment of material evidence, "the most severe in the spectrum of sanctions" should be utilized both to penalize that behavior and to deter others from repeating it. *See National Hockey League*, 427 U.S. at 643; *Chilcutt*, 4 F.3d at 1320-21 (citing *National Hockey League*); *Corpus Christi Taxpayer's Ass'n v. Corpus Christi, Texas*, 858 F.2d 973, 977 (5th Cir. 1988). But also, the Magistrate's basis for refusing Kent a new trial as a sanction was mistakenly grounded in his incorrect belief that Kent was not independently entitled to that relief under Federal Rule of Civil Procedure 59.[17] That mistake the Federal Circuit was obliged to correct.

Finally, ADS challenges the manner in which the Federal Circuit carried out its reversal, *i.e.*, by granting a new trial. According to ADS, it was beyond the Federal Circuit's province "to select the appropriate sanction, rather than leave the matter to the District Court." Petition at 30. But this argument, too, overlooks both the Magistrate Judge's scathing factual commentary and the Federal Circuit's deference to it. As even the Magistrate Judge acknowledged, while other "appropriate sanctions" or "disciplinary action under the local rules" might be necessary to address the misconduct of ADS and its counsel, and while he explicitly reserved judgment on those issues, a new trial was the *most* "appropriate" sanction in this case.

17. In denying Kent's motion for new trial as a sanction, the Magistrate Judge reasoned that, "short of granting [Kent] a new trial, I doubt that any sanction would be appropriate in this case . . . but in the final analysis . . . a new trial isn't warranted." (*See* JA97-98.) That rationale incorrectly collapsed the issue of sanctions under the court's inherent powers into its analysis under Rule 59 (which also was flawed). As ADS's own authority shows, however, a court's inherent powers allow the imposition of sanctions, including vacating its own judgment, even when other rules or statutes address the same form of relief. *See Chambers v. NASCO, Inc.*, 501 U.S. 32, 44-49, 57 (1991). The trial court's denial of sanctions was thus based on an error of law and, by definition, constituted an abuse of discretion. *Esmark Apparel, Inc. v. James*, 10 F.3d 1156, 1163 (5th Cir. 1994) (denial of sanctions based on erroneous view of the law constitutes abuse of discretion) (citing *Cooter & Gell*, 496 U.S. at 405-06).

(JA38-39.) The Federal Circuit was thus quite right to opt for that particular device, both because the Magistrate Judge had already deemed it fitting and because the controlling law required it.[18] As for other "appropriate sanctions" that the Magistrate Judge might have selected, the Federal Circuit left that issue for him to resolve on remand (A31), which he again has vowed to do.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari to the United States Court of Appeals for the Federal Circuit should be denied.

Respectfully submitted,

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18. *See* cases cited at note 6 *supra*. *See also Klonoski v. Mahlab*, 156 F.3d 255, 274-76 (1st Cir. 1998) (ordering new trial as sanction for concealment of evidence "which resulted in 'substantial interference with the full and fair preparation' of plaintiff's case") (citing *National Hockey League*).